

(2)
No. 90-258

IN THE
Supreme Court of the United States

OCTOBER TERM, 1990

WESLO, INC.,
Petitioner,

vs.

DIVERSIFIED PRODUCTS CORP., and
BROWN, FITZPATRICK, LLOYD, LTD., et al.,
Respondents.

**SUPPLEMENTAL BRIEF
OF RESPONDENT ROADMASTER CORPORATION
IN SUPPORT OF THE POSITION OF
PETITIONER WESLO, INC.**

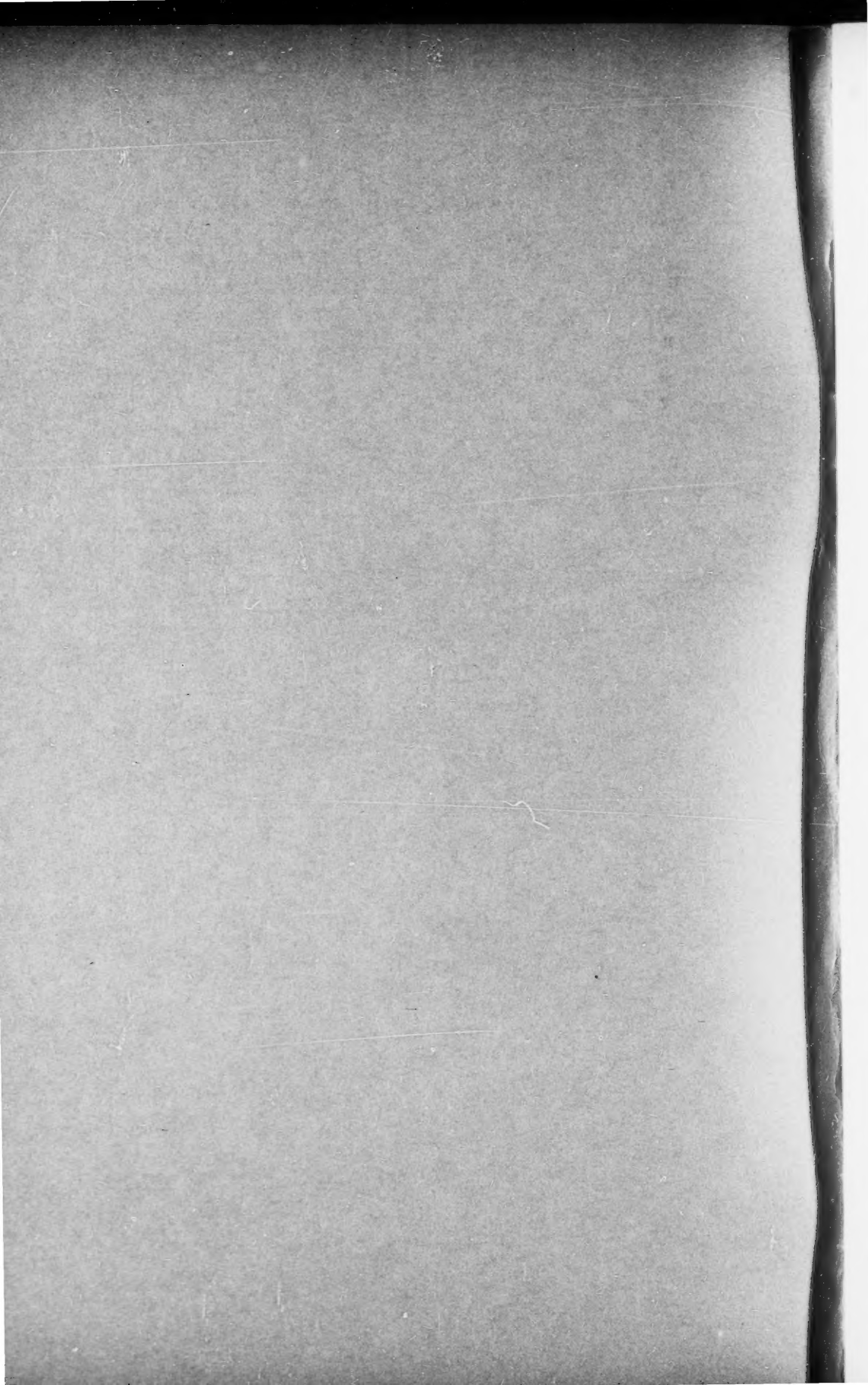
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QUESTION PRESENTED

Does a final determination by the International Trade Commission of the invalidity of a patent, affirmed by the Court of Appeals for the Federal Circuit, preclude, by virtue of collateral estoppel, the assertion of the validity of the patent in a suit against a third party in a U.S. District Court alleging infringement of that patent?

LIST OF PARENT AND SUBSIDIARIES

Roadmaster Corporation (identified as Roadmaster, Inc. in the Petition for Writ of Certiorari) is a subsidiary of Roadmaster Industries, Inc. Roadmaster Industries, Inc. has another subsidiary, Hamilton Lamp Corporation, and Roadmaster Corporation has one subsidiary, Ajay-Dorcy Canada, Ltd.

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OPINION BELOW AND JURISDICTION

The Petition for Writ of Certiorari to the United States Court of Appeals for the Federal Circuit filed by Weslo, Inc. on August 9, 1990 (hereinafter Weslo Petition) correctly identifies the opinions below. Jurisdiction also appears properly based on 28 U.S.C. §1254(1).

SUPPLEMENT TO STATEMENT OF THE CASE

Roadmaster agrees with the Statement of the Case recited in the Weslo Petition. However, Roadmaster here supplements that statement to clarify its relationship with this matter.

Roadmaster is a party with Petitioner Weslo to the Order of the United States District Court for the District of Delaware denying a Motion for Summary Judgment (App. C).¹ Roadmaster is also a party to the petition to the Court of Appeals for the Federal Circuit for permission to appeal the Order of the trial court and in turn the Orders of the Court of Appeals refusing to hear the Appeal (App. A and B), all as set out in the Weslo Petition.

Respondents Diversified et al. sued Roadmaster in the U.S. District Court for the Southern District of Illinois on October 16, 1984. That case was consolidated for discovery, along with nine other cases, in the United States District Court for the District of Delaware. If certiorari is denied, discovery in the Delaware District Court will proceed, and presumably at its close, the Roadmaster case will be sent back to Southern Illinois for trial, in all probability at least seven or eight years after its inception.

STATEMENT IN SUPPORT OF PETITION UNDER RULE 12.4

Roadmaster Corporation supports the position of Petitioner Weslo, Inc. and adopts the Petition for the Writ of Certiorari to the United States Court of Appeals for the Federal Circuit, No. 90-258, filed August 9, 1990, in its entirety.

¹ The Appendices to the Westlo Petition will be referred to hereinafter as Appendices A through J; the Appendices to the present Brief, as Appendices K and L.

By taking and deciding this case on a narrow issue of preclusion, the Supreme Court can settle a matter of statutory interpretation affecting many cases, reducing the burden of the District Courts and litigants, and, incidentally, relieving international concern about the obligations of the United States under GATT.

POSITION OF ROADMASTER

Roadmaster's status is not exactly the same as that of Weslo, because Roadmaster was not a party to the ITC proceeding. If certiorari is granted and this Court decides that the ITC decision is preclusive as to Weslo, the ITC decision may be held to be the law of the case, or even *res judicata* as to Weslo, but not necessarily as to Roadmaster. It is Roadmaster's position that the decision of the ITC holding patent 4,477,071 invalid, affirmed by the Court of Appeals for the Federal Circuit, should also give rise to collateral estoppel to preclude further prosecution of the suit by Diversified Products Corp. et al. against Roadmaster for infringement of that patent under the clear holding of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971).

ARGUMENT

Invalidity of a patent is a matter of law. If the Court of Appeals for the Federal Circuit has upheld a finding of invalidity, the patent is thereafter invalid and nothing will serve to restore the validity of the patent (*Blonder-Tongue, supra*). All appeals from a determination of the ITC under 19 U.S.C. §1337 are to the Federal Circuit. Accordingly, the party whose patent has been held invalid in the ITC has only the choice of permitting the ITC determination to become final, or appealing to the Federal Circuit. The Federal Circuit reviews the decision for legal error and has not hesitated to reverse a determination of invalidity by the ITC (*Rotron, Inc. v. United States International Trade Commission, Appellee, and Matsushita Electric Corporation of America et al., Intervenors*, 845 F.2d 1034, C.A. Fed. (1988); 1988 U.S. App. LEXIS 1978). When it affirms a determination of invalidity, it affirms that the prevailing party has sustained the burden of proving invalidity.

Are the parties to the remaining infringement suits to be put to the expense and effort of trial and then, if the patent is held to be valid and infringed (or even invalid), to the hazard of having the Federal Circuit decide on a different record that the defendant infringes the same patent because it has not independently proved invalidity of the patent that Weslo proved invalid? Or on Weslo's record, after yet another trial, that this time Weslo has not proved invalidity, although it had done so before? The risk of inconsistent and conflicting results is obvious and compels certiorari now.

THE DECISION BELOW IS BEING CRITICIZED BY COMMENTATORS

The decision of the District Court denying Summary Judgment, *In Re Convertible Rowing Exerciser Patent Litigation*, 616 F. Supp. 1134 (Delaware 1985), has become a cause celebre. Both the Patent Section of the American Bar Association and

the American Intellectual Property Association have taken cognizance of it. Two articles discussing it have appeared even as Petitioner's Petition was being printed. They are reproduced in Appendices K and L.

The first article is a report of Subcommittee A of Committee No. 401 of the Section of Patent, Trademark and Copyright Law of the American Bar Association. The subcommittee presented, at the annual meeting of that Association of August 4-8, 1990, the following Resolution 401-1 for full debate:

"RESOLVED, that the section of Patent, Trademark and Copyright Law favors in principle application of the Doctrine of Collateral Estoppel by U.S. District Courts to prior final determinations of the International Trade Commission which are adverse to the complainant; and Specifically, favors clarification by the U.S. Congress of 19 U.S.C. §1337 so indicating." (App. K, p. 1-2)

The report contains at pages 188-94, (App. K pp. 3-12) a thorough discussion of the topic, much of which has to do with the *In Re Convertible Rowing* decision. The committee concluded that:

"Congress has not expressly decided against giving preclusive effect to ITC decisions, and there are no legal barriers to so doing." page 194 (App. K, p. 12)

The second article, "THE STATUS OF DUAL PATH LITIGATION IN THE ITC AND THE COURTS: ISSUES OF JURISDICTION, RES JUDICATA AND APPELLATE REVIEW" at pages 155-192 of the AIPLA Quarterly Journal, Volume 18, No. 2, which was received by Counsel for Respondent Roadmaster on August 6, 1990, discusses the *In Re Convertible Rowing Exerciser Patent Litigation* decision in detail, saying as to the aspect of the decision with which we are here concerned:

“After laying out its convincing argument on why ITC determinations should be given *res judicata* effect, the Court refused to do so, citing the jurisdictional rationale and the 1974 legislative history.” page 178 (App. L, p. 52)

The authors, who include Albert Trampusch, Director-Designate, The John Marshall Law School Center For Intellectual Property Law, Chicago, Illinois, observe:

“Thus, we have the strange and anomalous situation that Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit Decisions on ITC patent cases are not binding even on itself.” page 186 (App. L, p. 64)²

² Although Roadmaster has no immediate interest in the effect of the decision on the GATT, this court may find the discussion in the article of interest in deciding whether or not to grant the Writ. The authors conclude that 19 U.S.C. §1337 (as interpreted by the court below) is inconsistent with the United States' international obligations. A decision of this Court that under 19 U.S.C. §1337 a final determination of the ITC, either affirmed by the Federal Circuit or not appealed, is *res judicata*, and that it gives rise to collateral estoppel to assert validity of the patent against a third party, would resolve the matter.

CONCLUSION

Respondent Roadmaster Corporation supports the position of Petitioner Weslo, and submits that a final determination by the ITC of patent invalidity after a full and fair opportunity to litigate the validity of the patent should give rise to collateral estoppel under *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971) to preclude relitigation in a suit against a third party of the matter of patent validity. Thus, review now is imperative to avoid subversion of the salutary policy set out by this court in the *Blonder-Tongue* decision.

Respectfully submitted,

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APPENDIX

APPENDIX K

Rec'd Jul 27, 1990

1990 COMMITTEE REPORTS SECTION OF PATENT, TRADEMARK AND COPYRIGHT LAW

Reports to be presented at the ANNUAL MEETING

August 4-8, 1990

Chicago, Illinois

ABA

DIVISION IV—RELATED LEGAL ISSUES John E. Maurer,
Division Chairman

COMMITTEE NO.401 Kenneth E. Madson, *Chairman*

FEDERAL PRACTICE AND PROCEDURE

Scope of Committee: Practice in the Federal Courts in cases involving patents, trademarks, copyrights and related matters; and problems concerning improvements in litigation process in the Courts, including decreasing costs and length of pendency of cases. The committee also studies and makes recommendations for suggested amendments to the Federal Rules or the U.S. Code respecting practice and procedure in such fields.

SUBCOMMITTEE A Craig S. Summers, *Subcommittee Chairman*

Subject 1. PARALLEL PROCEEDINGS IN THE ITC AND DISTRICT COURTS.

PROPOSED RESOLUTION 401-1. Council Action: Class 1, Full Debate.

1 RESOLVED, that the Section of Patent, Trademark and Copyright Law

- 2 favors in principle application of the Doctrine of Collateral Estoppel by U.S.
- 3 District Courts to prior final determination of the International Trade
- 4 Commission which are adverse to the complainant; and
- 5 Specifically, favors clarification by the U.S. Congress of 19 U.S.C. § 1337 so
- 6 indicating.

PROPOSED RESOLUTION 401-2. Council Action: Class 1, Full Debate.

- 1 **RESOLVED**, that the Section of Patent, Trademark and Copyright Law
- 2 favors in principle that Federal Rules be amended to provide that U.S. District
- 3 Courts treat discovery taken in a prior International Trade Commission
- 4 proceeding, respecting common claims or issues between the same parties, as
- 5 though the discovery was taken in the U.S. District Court action; and that the
- 6 Rules of the International Trade Commission treat discovery taken in a prior
- 7 District Court action, respecting common claims or issues between the same
- 8 parties, as though the discovery was taken in the International Trade
- 9 Commission proceeding.

PROPOSED RESOLUTION 401-3. Council Action: Class 1, Full Debate.

- 1 **RESOLVED**, that the Section of Patent, Trademark and
 Copyright Law
- 2 favors in principle, in cases of parallel proceedings between
 the U.S. District
- 3 Courts and the International Trade Commission, a prac-
 tice facilitating
- 4 discretionary stays of the U.S. District Court action
 brought by the complain-
- 5 ant, based on considerations of (1) the length of time that
 the first action was
- 6 pending prior to commencement of the second action; (2)
 the extent and state
- 7 of discovery in the first-filed action; and (3) identity of
 claims and issues
- 8 between the two actions.

Past Action. None.

Discussion. Last year, the committee identified twenty-eight basic considerations relevant to the issue of reducing duplication of effort when proceedings are pending at the same time in both the ITC and District Court. Many of these considerations have been taken into account when formulating the proposed resolutions.

1. *General Background.* Much has been said about the use of ITC proceedings as a plaintiff's "test run" or "free shot" against an alleged infringer. If the plaintiff wins, of course, he prevents the defendant's importation of goods into the United States. If he loses, however, he may subsequently file suit in District Court and attempt to re-litigate the same matter. He

also may conduct both an ITC proceeding and a suit in District Court at the same time, if he chooses. This can be totally devastating to a defendant with limited economic resources.

From the standpoint of a defendant with sufficient resources, if he loses in the ITC, he may still file suit in District Court and attempt to obtain a writ staying enforcement of the ITC preclusion order pending resolution of issues of patent validity and infringement by a court with "proper jurisdiction" under 28 U.S.C. § 1338. While the likelihood of success of such a motion is open to debate, a well-heeled defendant has the option of drawing out the proceedings in an effort to wear down the plaintiff by deliberately engaging in protracted litigation.

The conclusions to be drawn from the situation described above are that failure to accord ITC decisions in patent matters some preclusive effect promotes waste of the parties' and judicial resources. The Federal Circuit has recognized this potential waste, stating in *Young Engineers v. ITC*, 721 F.2d 1305, 1315 (Fed. Cir. 1983) (holding that the ITC must apply preclusion to prior court actions) that "the evils of vexatious litigation and waste of resources are no less serious because the second proceeding is before an administrative tribunal."

2. *The Current State of the Law.* Two cases have split over the issue of whether ITC patent decisions should be given preclusive effect in the District Courts. *Dudley Shearing Machine Mfg. Co. v. LaBounty Manufacturing Co.*, C-C-86295-M (W.D. N.C. 17 March 1988) favors a preclusive effect, and *In Re Convertible Rower Exerciser Patent Litigation*, 721 F.Supp. 596 (D.Del. 1989) rejects it. Several other cases treat the issue in dicta, see, e.g., *Tandon Corp. v. ITC*, 831 F.2d 1017 (Fed. Cir. 1987), *The Baltimore Luggage Co. v. Samsonite Corp.*, 13 U.S.P.Q. 2d. 1450, 1453 (D. Md. 1989), *Union Mfg. Co., Inc. v. Han Baek Trading Co., Ltd.* 763 F.2d 42 (2d. Cir. 1985), and *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832 (S.D.N.Y. 1988).

3. *Summary of Arguments for and Against.* Arguments advanced for preclusion are that preclusive effect is normally granted to agency decisions, and that a statement in the legislative history of 19 U.S.C. § 1337, summarily concluding that ITC findings cannot be binding, should not be accorded the effect of a duly passed law. Thus, the proponents for preclusion argue that general legal principles should apply, and that application of these principles favors giving ITC decisions on patent questions preclusive effect to avoid waste and duplication.

Arguments advanced against granting preclusive effect are many. They include: (1) only the federal courts have jurisdiction to make binding decisions in patent matters, consistent with Congress' scheme expressed in 28 U.S.C. § 1338; (2) ITC and District Court proceedings afford different remedies, are based on different claims for relief and, in practice, seem to apply the rules of procedure and evidence differently; and (3) the legislative history of 19 U.S.C. 1337 limits ITC intrusion into determination of patent questions; (4) granting preclusive effect to ITC patent determinations violates the right to trial by jury and trial before an Article III Judge; (5) a two-tier scheme of not giving alleged infringers before the ITC a trial by jury, but giving those before a District Court a jury trial, offends due process and the Equal Protection Clause; and (6) ITC proceedings heavily favor the complainant and are onerous and unfair to the respondent.

4. *Constitutional Concerns.* The constitutional concerns raised by giving preclusive effect to ITC decisions were addressed by the Federal Circuit when it upheld the constitutionality of the re-examination procedure in *Patlex Corporation v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). Noting that patent validity may only be questioned by an Article III court, the Federal Circuit pointed out that where the criteria for judicial review and full respect for due process are met, statutes investing administrative agencies with regulatory functions previously

filled by judge and jury are upheld if supported by a reasonable legislative purpose. *Patlex*, 758 F.2d at 604-605. Notably, review of facts upon a substantial evidence standard and de novo review of conclusions of law are clearly allowable. See generally, *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 105 S. Ct. 3325, 87 L.Ed. 2d 409 (1985); *Patlex*, 758 F.2d at 604 (patent rights are "public rights" within the meaning of *Thomas* and *Marathon Construction Co. v. Northern Pipe Line Co.*, 458 U.S. 50, 102 S.Ct. 2858, 73 L.Ed. 2d 598 (1982). Giving ITC decisions preclusive effect is, therefore, a clearly permissible delegation of power pursuant to Congress' Article I powers; *Patlex* indicates that it infringes neither Article III nor the right to trial by jury. (The discussion of Congress' Article I powers in *Thomas* is instructive: "the Court has long recognized that Congress is not barred from acting pursuant to its powers under Article I to vest decision making authority in tribunals that lack the attributes of Article III Courts. Many matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts." (citation omitted). Thus, it would seem that if Congress desired, it could withdraw jurisdiction over patent matters from the federal courts, or provide for trial without a jury).

Patlex also analyzed due process considerations in connection with patent rights. Concluding that patent rights are property rights for purposes of 5th Amendment standing, the Federal Circuit nevertheless found that retroactive application of the re-examination procedure was rationally related to a legitimate Congressional interest. Likewise, according ITC decisions preclusive effect is a rational balancing of the policies of promoting quick resolution of international trade disputes and competent resolution of patent issues without compounding costs. In this regard, it is noted that the ITC probably handles many more patent cases than does the average federal judge, and that ITC final determinations are subject to a de novo

review by the Federal Circuit. Equal Protection analysis is essentially the same as that for due process.

5. *ITC Jurisdiction to Resolve Patent Questions in a Binding Manner.* (1) *Concurrent ITC and Federal Court Jurisdiction to Decide Patent Questions.* Regardless of whether one is for or against giving preclusive effect to ITC decisions, it is necessary to dispel a misnomer that has plagued both courts and the ITC: that district courts are the exclusive forum for resolving patent cases. See, e.g., *Union Manufacturing Company, Inc. v. Han Baek Trading Company, Ltd.*, 763 F.2d 42, 45 (2nd Cir. 1985); *In Re Convertible Rowing Exerciser*, BNA Patent, Trademark and Copyright Journal, Vol. 38, No. 947, p. 508 (D. Del.); see also ITC Amicus Curiae Brief, *Mag Instrument, Inc. v. Brinkmann*, Civil Action CA3-86-427G (N.D. Tex., filed July, 1988), p. 26, n.21, wherein the ITC took the position that its decisions on patent questions should not have a preclusive effect.

28 U.S.C. § 1338 vest exclusive original jurisdiction in the district courts. It is well settled that § 1338 vests jurisdiction in a district court only if there is a patent issue in the case as determined by the well pleaded complaint. See, e.g., *Imperial Alliance Corp. v. Hamilton Manufacturing Co.*, 430 F.1d 185, 187 (7th Cir. 1970); *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 36 S. Ct. 585, 60 L.Ed. 987 (1916). Thus, state courts have jurisdiction to determine questions of validity and infringement when such issues are raised by counterclaim or defense and do not arise under the patent laws as determined solely from the plaintiff's complaint. *Pratt v. Perris Gaslight & Coke Co.*, 18 S. Ct. 62, 64 (1897); and *Lear v. Adkins*, 395 U.S. 653, 89 S. Ct. 1902, 1917 (1969). Furthermore, state courts with proper jurisdiction may issue decisions respecting patent laws that are to be accorded res judicata and collateral estoppel effect. *M.G.A. Inc. v. General Motor Corp.*, 827 F.2d 729 (Fed. Cir. 1987). Therefore, the argument, adopted by some courts and the ITC itself, that the ITC should be precluded from issuing binding decisions respecting patent

validity and infringement because of 28 U.S.C. § 1338 addresses federalism and does not mandate that only the federal courts may resolve patent questions.

Opponents also argue that the ITC should be precluded from issuing binding decisions concerning patent validity and infringement because its jurisdiction is different than that of the federal courts. See, e.g., *In Re Convertible Rowing Exerciser*, BNA Patent, Trademark and Copyright Journal, Vol. 38, No. 947, p. 508 (D. Del.). This amounts to no more than saying that federal courts have exclusive jurisdiction of well pleaded complaints depending on construction of federal patent laws for their resolution. Neither may one do so in a state court. However, this does not dispose of the question of whether or not state courts and the ITC may issue a binding decision as to patent validity or infringement when such is raised by means of counterclaim or defense. The Supreme Court has for a long time made clear that state courts are competent to issue binding decisions as to patent validity and infringement. Therefore, as with state courts, there is no jurisdictional reason why the ITC should not be able to issue binding adjudications of patent questions which are properly before them even though they do not have original jurisdiction of cases "arising under" the patent laws.

(2) Differences between the Purposes of the Two Proceedings. The argument expressed in *In Re Convertible Rowing*, 721 F. Supp. at 603, that the differences between the District Court and the ITC proceedings prevent the application *res judicata* and collateral can be rebutted. The decision in *Young Engineers v. ITC*, 721 F.2d 1305, 1315 (Fed. Cir. 1983), requires the ITC to give preclusive effect to claims and issues decided in a prior District Court action. Thus, despite jurisdictional differences over the types of complaints filed, a legal patent question resolved in the ITC is governed by the same law as a similar proceeding before a District Court. Moreover, both are subject to a *de novo* review by the Federal Circuit.

Differences in the procedures of the two tribunals, however, has been a great concern to many and, indeed, some feel strongly that preclusion with respect to ITC decisions in patent matters should be denied. Ironically, these same procedures, e.g., rules governing admission of evidence, are applicable to trademark ITC proceedings which are given preclusive effect in subsequent District Court actions. See, e.g., *Union Manufacturing Co* 763 F.2d 42 and *The Baltimore Luggage Co. supra*, 13 U.S.P.Q. 2d at 1452-3. Some are less concerned, however, about giving preclusive effect to ITC patent decisions that are adverse to the complainant, in view of the patent owner's ability to elect the forum to resolve his dispute.

6. *The Legislative History of 19 U.S.C. § 1337.* The major argument that preclusive effect should not be granted to ITC decisions on patent questions is based upon legislative history; "[I]n patent-based cases, the Commission considers, for its own purposes under § 1337, the status of imports with respect to the claims of U.S. patents. The Commission's findings neither purport to be, nor can they, be regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res-judicata or collateral estoppel effect in cases before such courts." S. Rep. No. 1298, 93rd Cong., 2d Sess. 19, reprinted in 1974 U.S. Code Cong. § Admin. News 7186, 7329.

It is well established that legislative history may be used to interpret Congressional intent in enacting a statute, but apart from this purpose may not create law in an area Congress did not address. See *Pierce v. Underwood*, 108 S. Ct. 2541, 101 L.Ed.2d 490 (1988).

Likewise, committee notes should not be elevated to the status of a law which Congress did not pass. Therefore, it can be asserted that the Legislative History statement in § 1337 is no barrier to according ITC decision on patent questions preclusive

effective and the Legislative History statement in question should not be given undue weight by courts which pass upon the questions. Moreover, committee notes concern only issues of law interpretation and not findings of fact.

7. *Federal Agency Decisions are Normally Given Preclusive Effect.* When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply the doctrines of res judicata and collateral estoppel. See, e.g., *United States v. Utah Construction and Mining Co.*, 384 U.S. 394, 86 S. Ct. 1545 (1966). Absent a judicially cognizable contrary intention of Congress, it can be argued that the doctrines should apply to ITC factual determinations.

In *Utah Construction*, the preclusive effect applied to administrative fact finding was more analogous to a review on appeal than a collateral attack. In other words, the federal court action, as it was required by applicable law to be bound by the administrative findings of fact, was actually a continuation of the same agency action. See *Utah Construction*, *supra*, 86 S. Ct. at 1548-1549. Thus, *Utah Construction* involved facts apposite to parallel District Court and ITC proceedings which, in fact, are related but still collateral actions. As the ITC findings are reviewable by the Federal Circuit (on grounds substantially similar to those involved in a District Court action in *Utah Construction*), the ITC decision is more analogous to a court decision. Therefore, it can be argued that its conclusions of law, which may be challenged in the Federal Circuit, should be accorded the same effect as would those of a District Court. Hence, the *Utah Construction* criteria for application of collateral estoppel to federal agency determinations with *de novo* review of legal conclusions is not squarely on point.

Rather, ITC decisions should be accorded some preclusive effect, as would the decision of any District Court within the

Federal Circuit's jurisdiction. This is so, because anyone not satisfied with an ITC application of Title 35 can seek review in the Federal Circuit, and it is merely duplicative to preview such review by collaterally arguing one's legal assertions based on substantially the same evidence to a District Court. This is supported by *Sunshine Anthracite Coal Co. v. Adkins*, 310 U.S. 381, 60 S. Ct. 907 (1940), wherein the fact that Congress delegated a judicial function to an administrative agency, subject to review in the appropriate court of appeals, was held to preclude re-litigation of the matter at issue in District Court.

The valid position that a federal agency decision reviewed by a federal district court should be accorded *res judicata* and collateral estoppel effect, as to both factual and legal contentions on the one hand, but that ITC decisions reviewed on substantially the same factual and legal basis by the Federal Circuit should not receive the same preclusive effect as to both factual and legal contentions, is for the above reasons, without justification.

8. *The Benefits in Reducing Multiple Litigation Must be Balanced Against Any Prejudicial Effects.* As discussed above, the ITC hears a narrow range of cases, substantially consisting of cases with intellectual property issues. It is to be expected, therefore, that the ITC will be able to handle a patent case involving issues of validity and infringement with more expertise than most district judges, with some exceptions, of course. Therefore, it can be said that eliminating the "evils of vexatious litigation and waste of resources" caused by duplicitous litigation, and the need for quick decision in matters involving international commerce, outweigh the benefits of according the parties the right to have patent issues affecting them resolved by jury before a federal district court. (By proceeding before the ITC, the patentee has elected remedies and waived any right to a jury).

As shown above, Congress has not expressly decided against giving preclusive effect to ITC decisions, and there are no legal barriers to so doing. Also, preclusive effect is generally granted to federal agency decisions. However, notwithstanding the absence of legal barriers to giving ITC decisions preclusive effect, there is a strong sentiment by some that the ITC proceeding, and that giving preclusive effect to such decisions would only perpetuate this unfairness. For the opponents of giving ITC decisions preclusive effect, therefore, the issue is one of fundamental fairness and not what is legally possible.

9. *Conclusion.* The goal of this subcommittee is to find ways to reduce duplication when proceedings are pending at the same time in the ITC and a District Court. Since an accused infringer cannot initiate an ITC proceeding, such duplication can only occur at the election of the patent or trademark owner who can start an ITC proceeding at any time. Thus, to the extent preclusive effect can be given to an ITC decision, it ought to apply to a decision against a complainant, who elected such a course and should be bound by the result of his/her election. The proposed resolutions seek to reduce duplication of effort, while accounting for the concerns of many that ITC proceedings tend to be unfair to the respondent.

APPENDIX L

**AIPLA
QUARTERLY
JOURNAL**

The Boundaries of Discovery in Patent Litigation: Privilege,
Work Product and Other Limits *Laurence H. Pretty*

Employer's Rights to Inventions and Patents of Its Officers,
Directors and Employees *Paul C. Van Slyke &
Mark M. Friedman*

The Status of Dual Path Litigation in the ITC and the Courts:
Issues of Jurisdiction, *Res Judicata* and Appellate Review
*Michael A. Ritscher, Albert Tramposch, Thomas J. O'Connell
& Lisa Barons*

1989 Robert C. Watson Award:

First-to-File: Is American Adoption of the International Stan-
dard in Patent Law Worth the Price? *Charles R. B. Macedo*

VOL. 18

1990 NO. 2

**AMERICAN INTELLECTUAL
PROPERTY LAW ASSOCIATION**

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THE STATUS OF DUAL PATH LITIGATION IN THE ITC AND THE COURTS: ISSUES OF JURISDICTION, *RES JUDICATA* AND APPELLATE REVIEW

Michael A. Ritscher*, Albert Tramposch**, Thomas J.
O'Connell† and Lisa Barons‡

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I. INTRODUCTION

Imported products, unlike domestic products, can be challenged in dual path litigation¹ involving the same parties and the same rights in both civil court and before the International Trade Commission.² Intellectual property rights are an increasingly important factor in international trade,³ and the use of dual path litigation has become an established tool for protecting those rights.

The growth in the use of dual path litigation has not been without its problems. The recent GATT panel report⁴ and its adoption by the U.S. has triggered an intense effort for reform of the international trade protection system.⁵ It is the assumption

¹ See Lupo, *Dual-Path Litigation Before the International Trade Commission and the Federal Courts in Import Cases Involving U.S. Patents*, 22 Pat. L. Ann. 411, 412 (1984)

² "ITC" or "Commission". Section 337 of the U.S. Tariff Act of 1930, as amended in 1974 and 1988 (19 U.S.C. §1337), provides the ITC with the power to restrict imports which infringe U.S. intellectual property rights. This form of protection exists separately from and in addition to the usual enforcement of these rights in federal and state courts.

³ See, e.g., Turnbull, *Intellectual Property Rights and GATT: TRIPs at the Midterm*, 1(3)J. Proprietary Rts. 9 (1989).

⁴ *United States - Section 337 of the Tariff Act of 1930, Report by the Panel*, General Agreement on Tariffs and Trade (November 23, 1988). For an excellent summary of the background of the GATT panel report, see the talk by Prof. Harold H. Koh, Proceedings of the Eighth Annual Federal Judicial Conference, May 31, 1990, to be reprinted at ____ F.R.D. ____ (199__).

⁵ The Office of the United States Trade Representative requested written comments on possible amendments to section 337, and "other relevant statutes". The period for comments closed on March 26, 1990. 55 Fed. Reg. 3503-04 (Feb. 1, 1990).

of most practitioners in the field that changes will be made to Section 337 proceedings in response to the GATT panel report.⁶

Whatever changes are made to the unfair import or intellectual property protection systems, they should not be made in a reactive mode. They should be well considered, and should conform to established principles of U.S. jurisprudence, while at the same time satisfying the needs of the U.S.'s partnership role in international trade relations.

There is no doubt that there is need for reform of Section 337. Even without the GATT report, there are sufficient problems within the U.S. system itself to warrant a hard look at unfair import protection. Jurisdictional, *res judicata* and appellate uncertainties exist that necessitate change.

It is the intent of this Article to review the status of these jurisdictional, *res judicata* and appellate review issues between the ITC and civil courts, to encourage changes that are responsive to and in conformance with U.S. jurisprudence rather than merely reactive.

II. ASPECTS OF DUAL PATH LITIGATION

Approximately every third investigation before the ITC is accompanied by a proceeding in a federal court.⁷ With some exceptions, such as the fact that ITC investigations are usually concluded more quickly, the procedures before the Commission

⁶ See Statement By Ambassador Hills on Section 337 and Enforcement of Intellectual Property Rights, November 7, 1989, Office of the United States Trade Representative ("[W]e are carefully and actively considering possible changes in enforcement of patent rights under section 337").

⁷ Lupo, 22 Pat. L. Ann. at 413 n.6.

and the courts are very similar.⁸ Although ITC proceedings are not formally governed by the Federal Rules of Civil Procedure, the ITC frequently looks to those rules for guidance.⁹ The primary adjudicated issues, namely the validity, enforceability and infringement of the intellectual property rights, are typically the same. However, a complainant in the ITC bears the additional burden of proving the existence of a domestic industry, or that one is in the process of being established.¹⁰ As to affirmative defense, the ITC has the duty to examine the validity and

⁸ As to the differences in procedure before the ITC and the courts, see generally Lever, *Unfair Methods of Competition in Import Trade: Actions Before the International Trade Commission*, 41 Bus. Law. 1165 (1986); Wineburg, *Litigating Intellectual Property Disputes at the International Trade Commission*, 68 J. Pat. Off. Soc'y 473 (1986); Newman & Lipman, *Representing Respondents in a Section 337 Investigation of the United States International Trade Commission*, 20 Int'l Law. 1187 (1986); Wilson & Hovanec, *The Growing Importance of Trademark Litigation Before the International Trade Commission Under Section 337*, 76 Trademark Rep. 1 (1986); Perry, *Administration of Import Trade Laws by the United States International Trade Commission*, 3 B.U. Int'l L.J. 345 (1985); Budoff, *A Practitioner's Guide to Section 337 Litigation Before the International Trade Commission*, 17 Law & Pol'y Int'l Bus. 519 (1985); Duvall, *The Rule of Law in International Trade: Litigating Unfair Trade Practice Cases Before the United States International Trade Commission*, 15 Law Am. 31 (1983); Weiss, *Section 337: An Activist I.T.C.*, 14 Law & Pol'y Int'l Bus. 905 (1982); Fernicola, *Scope of Action Against Unfair Import Trade Practices Under Section 337 of the Tariff Act of 1930*, 4 Nw.J. Int'l L. & Bus. 234 (1982); Kaye, Lupo & Lipman, *The Jurisdictional Paradigm Between the United States International Trade Commission and the Federal District Court*, 64 J. Pat. Off. Soc'y 118 (1982).

⁹ The ITC's adjudicative procedures, which generally bear a striking resemblance to the Federal Rules of Civil Procedure, are set forth in 19 C.F.R. §§ 210.1-210.71.

¹⁰ 19 U.S.C. § 1337(a)(2).

enforceability of a petitioner's intellectual property rights¹¹ upon request of the respondent or the ITC's investigative attorney. After the changes of 1988, Section 337 actions have acquired even more of the character of civil litigation than an administrative proceeding.¹²

Section 337 proceedings offer some distinct advantages over district court action.¹³ The ITC's *in rem* jurisdiction¹⁴ is especially helpful against "knock-offs". General exclusion orders are available with nationwide reach and enforcement by

¹¹ See the detailed historical overview in *Lannom Mfg. Co., Inc. v. USITC*, 799 F.2d 1572, 1576-79, 231 USPQ 32, 35-37 (Fed. Cir. 1986); see also *Young Engineers, Inc. v. USITC*, 721 F.2d 1305, 1315, 219 USPQ 1142, 1152 (Fed. Cir. 1983) ("The 1975 amendment of the statute which added the provision in § 1337(c), 'All legal and equitable defenses may be presented in all cases' was a major change which reflects a recognition that essentially private rights are being enforced in the proceeding"); *Sealed Air Corp. v. USITC*, 645 F.2d 976, 995-96, 209 USPQ 469, 484-86 (CCPA 1981) (Nies, J. dissenting); Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337* (Part II: Conclusion), 57 J. Pat. Off. Soc'y 269, 277-80 (1975).

¹² See, e.g., the changes made to the Rules Governing Investigations and Enforcement Procedure Pertaining to Unfair Practices Import Trade in 19 C.F.R. § 210 and 211.

¹³ One advantage that existed until the enactment of the Process Patent Amendments Act of 1988, 35 U.S.C. § 271(g), as amended by the Omnibus Trade and Competitiveness Act, was that section 337(a) provided the only remedy for U.S. process patent holders where the process was practiced abroad and the product of the process was imported into the United States. *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 527 (1972). For an example of what problems arose under the old law see *Akzona, Inc. v. E.I. du Pont de Nemours & Co.*, 662 F.Supp. 603, 4 USPQ2d 1113 (D.Del. 1987); see also Kaye, Lupo & Lipman, 64 J. Pat. Off. Soc'y at 120.

¹⁴ 19 U.S.C. § 1337(d); see Wineburg, *Litigating Intellectual Property Disputes at the International Trade Commission*, 69 J. Pat. Off. Soc'y 473, 497 (1986).

the U.S. Customs Service.¹⁵ Also, the speed of a Section 337 investigation¹⁶ and the expectation that ITC decisions will not have preclusive effect, may make the ITC a more attractive forum to complainants than an Article III court.¹⁷ The costs, on the other hand, are generally as high in a Section 337 proceeding as they are in court and therefore present no particular advantage.¹⁸

The advantages of district court actions over ITC actions include the availability of damages, the *res judicata* effect of Article III court judgments, and the availability of injunctive relief against non-importing domestic infringers.

There are reasons that an intellectual property action may end up in both the ITC and the courts. The first reason arises in situations where a complainant opts in favor of the ITC, and the alleged infringer, wishing to invalidate the underlying property right, files a declaratory judgment action in district court.¹⁹ A second situation is where the complainant itself is motivated to

¹⁵ 19 U.S.C. § 1337(d).

¹⁶ In 1988 the deadline for the Commission to decide whether to grant temporary relief was shortened from 9 months to 90 days (150 in more complicated cases). 19 U.S.C. § 1337(e)(2). The entire case must still be completed within 12 months (18 in more complicated cases). 19 U.S.C. § 1337(b)(1). The advantage of speed, however, is not present in every case, as some district court proceedings are sometimes even quicker. See, e.g., *Ashlow, Ltd. v. Morgan Constr. Co.*, 672 F.2d 371, 373 (4th Cir. 1982).

¹⁷ See Lever, *Unfair Methods of Competition in Import Trade: Actions Before the International Trade Commission*, 41 Bus. Law. 1165, 1167 (1986); Lupo, 22 Patent L. Ann. at 414-19.

¹⁸ See Lupo, 22 Patent L. Ann. at 425.

¹⁹ Declaratory Judgement Act, 28 U.S.C. § 2201 et seq. (1977 & Supp. 1989).

file in both fora simultaneously, for instance in order to recover damages which are not available in a Section 337 proceeding. Still another situation occurs where the intellectual property owner, unsuccessful in one forum, tries again in the other on the assumption that he is not estopped by the prior judgment. Finally, since both proceedings are usually very expensive, double litigation has been used to force the other party to a settlement.²⁰

On the other hand, there are dangers in pursuing dual path litigation in lieu of fully litigating a single path. For instance, where a party foregoes appeal of the decision in the first forum, that first decision may end up precluding litigation in the second forum.²¹ However, at least one court has allowed the losing party a second chance to file an appeal, where the party did not have reason to believe that the decision would be preclusive.²²

III. JURISDICTIONAL CONSIDERATIONS

Dual path litigation is made possible by the jurisdictional statutes, which allow litigation between the same parties based on the same intellectual property rights in both civil courts and in the ITC. The exclusivity of the jurisdiction conferred by the statutes has in some cases been interpreted to prevent preclusive effect of one action that would otherwise block a second action.

²⁰ See Lupo, 22 Patent L. Ann. at 423, 425.

²¹ See *Aunyx Corp. v. Canon, U.S.A. Inc.*, Civ. Action No. 86-2083-Mc (D. Mass. June 6, 1989) (available at 1989 U.S. Dist. Lexis 7260, 1989 WestLaw 73296). In *Aunyx*, the complainant lost at the ITC on antitrust/unfair competition issues. It filed an appeal in the Federal Circuit, then voluntarily withdrew the appeal "to pursue their action pending before this Court". The district court held that the ITC decision was *res judicata* for non-patent issues that had been fully and fairly litigated, and dismissed those counts on summary judgment.

²² *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 46, 226 USPQ 12, 15 (2d Cir. 1985). See *infra*, text at n. 86.

An understanding of the “jurisdictional thicket that surrounds the ITC and district court”²³ is necessary to evaluate the recent cases which have purported to resolve the *res judicata* issue on jurisdictional grounds.

A. Jurisdiction In The District Court

The jurisdiction of the federal courts for protection of intellectual property is grounded in 28 U.S.C. Section 1338.²⁴ The nature of the jurisdiction varies depending on the intellectual property right involved. The district court’s jurisdiction is “original” in patent, copyright, plant variety and trademark cases, and “exclusive” in patent, copyright and plant variety cases.²⁵

Within their jurisdiction, the courts apply the appropriate statutes, e.g., 35 U.S.C. in patent cases, 17 U.S.C. in copyright cases, 15 U.S.C., Chapter 22 in trademark cases. The remedies available include injunctions and damages, as well as costs, increased damages and attorney fees.

²³ *Akzona*, 662 F.Supp. at 606 n.7, 4 USPQ2d at 1114 n.7.

²⁴ 28 U.S.C. § 1338:

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

(c) Subsections (a) and (b) apply to exclusive rights in mask works under chapter 9 of title 17 to the same extent as such subsections apply to copyrights.

²⁵ 28 U.S.C. § 1338(a).

1. *“Original” Jurisdiction Of Patent, Copyright And Trademark Actions Arising Under Federal Law*

The statute gives the district court “original jurisdiction” over patent, copyright and trademark actions. Original jurisdiction is defined as “Jurisdiction to take cognizance of a cause at its inception, try it, and pass judgment upon the law and facts.” It is “[d]istinguished from *appellate* jurisdiction.”²⁶ Thus, “original jurisdiction” means that a case may be brought in that court in the first instance, as opposed to being brought on appeal from another court.

Original jurisdiction does not of itself imply exclusive jurisdiction. In section 1338, of the four enumerated types of original jurisdiction — patents, copyrights, plant varieties and trademarks — only three are made exclusive — patents, copyrights and plant varieties. Thus, “original” cannot imply “exclusive”, or the limited grant of exclusive jurisdiction would be meaningless.

2. *“Exclusive” Jurisdiction Over Patent And Copyright “Actions”*

The statute gives “exclusive” original jurisdiction over patent, copyright and plant variety protection cases.²⁷ A close reading of the statute shows that Section 1338(a) grants jurisdiction over such actions that is “exclusive of the courts of the states”. There is no specific mention in the statute of the ITC or other administrative bodies. The “exclusive” jurisdiction

²⁶ Black’s Law Dictionary at 991 (5th ed. 1979) (emphasis in original).

²⁷ 28 U.S.C. § 1338(a).

granted refers to the court's "original jurisdiction of any civil action arising under an Act of Congress relating to patents."²⁸

Trademarks are omitted from the exclusivity clause of the statute. Consequently, both state and federal courts have jurisdiction to adjudicate trademark claims. Infringement suits that have been brought in state court for infringement of federally registered trademarks are removable to the federal courts on the initiative of the defendant.²⁹

3. *Non-Exclusive Jurisdiction Over Patent "Issues"*

The exclusive jurisdiction granted under 28 U.S.C. Section 1338(a) is not exclusive for all patent-related issues. Rather it is exclusive in the sense that the district court is the only court in which an action based on federal patent statutes may be brought.³⁰ Actions based on license contracts, state antitrust statutes, etc., may involve patent issues, but they do not thereby

²⁸ *Id.*; see *Speedco, Inc. v. Estes*, 853 F.2d 909, 911, 7 USPQ2d 1637, 1639 (Fed. Cir. 1988) ("the jurisdictional test under section 1338(a) is not confined solely to the 'relating to patents' language of the statute, but requires also that the action be one 'arising under' the federal laws") (citing *Christianson v. Colt Industries Operating Corp.*, 486 U.S. 800, 7 USPQ2d 1109 (1988)).

²⁹ See *J.T. McCarthy, Trademarks and Unfair Competition* § 32.1 at 680 (1984 & Supp. 1989).

³⁰ See *New Marshall Engine Co. v. Marshall Engine Co.*, 223 U.S. 473, 478 (1912), cited in *Teletronics*, 687 F.Supp. at 846 nn.43-44, 7 USPQ2d at 1787-88 nn.43-44.

fall within the exclusive jurisdiction of the district court.³¹ The argument that the state courts are not competent to decide patent questions has been rejected by the Federal Circuit.³²

Thus, a state court with jurisdiction over an action sounding in a license contract, for example, may properly adjudicate patent issues that are necessary to resolve the cause before it. How-

³¹ *Lear, Inc. v. Adkins*, 395 U.S. 653, 675-76, 162 USPQ 1, 10 (1969) (action based on patent license remanded to California state courts for consideration of invalidity defense); *Intermedics Infusaid, Inc. v. Regents of the Univ. of Minn.*, 804 F.2d 129, 133, 231 USPQ 653, 656 (Fed. Cir. 1986) ("there are no policies reflected in acts of Congress which require that the federal courts enjoin . . . a state court contract suit seeking royalties payable under a patent license wherein the state court is or could be asked by the defendant to rule on the validity of the patent"); *In re Oximetrix, Inc.*, 748 F.2d 637, 641, 642, 223 USPQ 1068, 1071 (Fed. Cir. 1984) ("Whether patent issues were raised during the state court trial or were referred to in the state court's decision would not change the basic nature of the action. . . . [T]hat a defense raises a federal question is immaterial"); *Beghin-Say Int'l v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1571, 221 USPQ 1121, 1123 (Fed. Cir. 1984).

³² *Speedco, Inc.*, 853 F.2d at 913, 914-15, 7 USPQ2d at 1641, 1642:

Speedco argues that the failure to find jurisdiction in the district court in these circumstances would subject Speedco to the "unappealing prospect" of having its patent rights determined in the state courts of Kentucky. However, the statutory limitations on the jurisdiction of this court and the federal district courts, in conjunction with the well-pleaded complaint rule, can and do result in state courts resolving patent issues.

* * * *

So, unless Congress changes its mind and alters the language of section 1338, Speedco will have to share Congress's trust in the abilities of the state courts to interpret and apply federal law in order to resolve patent issues necessary to the decision of the case before them.

ever, the state court is required to apply Federal Circuit precedent in deciding those issues.³³

B. Jurisdiction In The ITC

The jurisdiction of the ITC for protection of intellectual property rights is grounded in Section 337.³⁴ The ITC has the power to exclude products from entry into the United States if they constitute "unfair practices in the importation of articles".³⁵

Prior to 1988, a complainant in the ITC had to prove injury to an efficiently and economically operated United States industry in order to establish a violation of Section 337.³⁶ This requirement was in certain cases difficult to satisfy.³⁷ With the passage of the Omnibus Trade and Competitiveness Act of 1988,³⁸ the injury requirement was eliminated in cases based on

³³ *Speedco, Inc.*, 853 F.2d at 914, 7 USPQ2d at 1642 ("As Congress created this court in order to bring uniformity to the national law of patents, presumably the state courts confronted with issues of federal law which relate to patents will therefore also look to the decisions of this circuit for guidance").

³⁴ 19 U.S.C. § 1337.

³⁵ 19 U.S.C. § 1337(a)(1).

³⁶ 19 U.S.C. § 1337(a).

³⁷ See, e.g., *Corning Glass Works v. USITC*, 799 F.2d 1559, 1567, 230 USPQ 822, 827 (Fed. Cir. 1986). The rationale for this added burden was at least in part that a section 337 proceeding was not purely private litigation between the parties but rather an investigation by the Government, involving rights that extended beyond those of the litigants. See also *Young Engineers*, 721 F.2d at 1315, 219 USPQ at 1152.

³⁸ Pub. L. No. 100-418, 102 Stat. 1107 (1988). Legislative history: 133 Cong. Rec. S10364-S10365, H.R. Rep. No. 576, 100th Cong. 2d Sess. 635-636 (1988), 134 Cong. Rec. H1863, H2044.

a valid and enforceable patent,³⁹ copyright,⁴⁰ a registered trademark,⁴¹ or a registered mask work.⁴²

1. Exclusive Jurisdiction Over Import Matters

The ITC's jurisdiction over matters of unfair importation of articles is exclusive of the district courts.⁴³ The rights granted under the patent laws to exclude others from "making, using, or selling" a patented invention do not include the right to exclude others from importation of infringing articles.⁴⁴ Thus, the ITC alone has the power to prohibit importation of goods that infringe valid U.S. intellectual property rights.

³⁹ 19 U.S.C. § 1337(a)(1)(B)(i) (Supp. 1989). Under the new statute, injury is presumed if the unfair act is infringement of a valid and enforceable intellectual property right.

⁴⁰ *Id.*

⁴¹ 19 U.S.C. § 1337(a)(1)(C), (1983 & Supp. 1989).

⁴² 19 U.S.C. § 1337(a)(1)(D), (1983 & Supp. 1989).

⁴³ 19 U.S.C. § 1337(b)(1). *See Ashlow*, 672 F.2d at 375 ("The District Court has no jurisdiction over the importation of articles in commerce"); *see also In re Orion Co.*, 71 F.2d 458, 467 (CCPA 1934):

The jurisdiction of district courts and the scope of any decree issued by them do not extend to the importation or exclusion of imported merchandise from entry into the United States. Section 316, therefore, as construed by the Tariff Commission on its findings now before the Court of Customs Appeals for review, affords an exclusive remedy.

Section 316 is the predecessor of Section 337. *The Glidden Co. v. Zdanok*, 370 U.S. 530, 579 n.50 (1962).

⁴⁴ *See* 35 U.S.C. § 271.

2. *Jurisdiction To Consider Patent Issues*

The ITC has always had the power to consider non-infringement as a defense to a complaint asserting unfair trade practices based on a U.S. patent.⁴⁵ However, prior to 1974, the ITC did not have the power to entertain a defense that asserted the invalidity or unenforceability of the patent itself. The Commission was required to treat a patent as valid unless and until the patent was invalidated by an action in district court.⁴⁶

Under the revision of the Tariff Act in 1974,⁴⁷ the ITC was empowered to examine the validity and enforceability of a patent upon request of the respondent or the ITC's investigative attorney.⁴⁸ The legislative history to the 1974 amendments⁴⁹ made it clear that such determinations of the validity and enforceability of a patent were not intended by Congress to be binding

⁴⁵ See, e.g., *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 260 (CCPA), *cert. denied*, 282 U.S. 852 (1930).

⁴⁶ See *Lannom Mfg.*, 799 F.2d at 1577, 231 USPQ at 36.

⁴⁷ See *supra* at n.11.

⁴⁸ *Lannom Mfg.*, 799 F.2d at 1576-79, 231 USPQ at 36-37; *Young Engineers*, 721 F.2d at 1315, 219 USPQ at 1152.

⁴⁹ S. Rep. No. 1298, 93d Cong. 2d Sess. 196, 1974 U.S. Code Cong. & Admin. News 7186, 7329 states in part:

[I]n patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to the claims of U.S. patent. The Commission's findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a *res judicata* or collateral estoppel effect in cases before such courts.

in subsequent actions on a district court, apparently indicating that the grant of jurisdiction was limited on these issues.⁵⁰

In the Omnibus Trade and Competitiveness Act of 1988, Congress amended Section 337 to eliminate the required showing of injury in cases based on infringement of certain valid and enforceable intellectual property rights.⁵¹ The effect of this change was that, while prior to 1988,⁵² validity and enforceability could be raised only in response to a complaint (and therefore were not part of the ITC's original jurisdiction), after 1988 these issues became elements of the cause of action itself (i.e., became aspects of the ITC's original jurisdiction), and are required to be pleaded in the complaint.

C. *Conflicting Jurisdiction*

The source for dual path litigation, and for the conflicts between the ITC and district courts arising from dual path litigation, lies in the jurisdictional statutes.⁵³ The Fourth Circuit summarized the problem as one of "conflicting jurisdictions,"⁵⁴ and stated:

⁵⁰ There is no explicit limitation for infringement in the legislative history.

⁵¹ 19 U.S.C. § 1337(a)(1)(B)(i). The added section makes "unlawful", for example, the "importation" of articles that "infringe a valid and enforceable United States patent".

⁵² But after 1974.

⁵³ This jurisdictional controversy between administrative bodies and the federal courts is not new or unexplored. See, e.g., *Glidden*, 370 U.S. at 582-83. In *Glidden*, the Supreme Court considered whether judges from the Court of Customs and Patent Appeals, because of the unique nature of its jurisdiction, could sit by designation in federal district or appeals courts.

⁵⁴ *Ashlow*, 672 F.2d at 374.

In short, the Congress has created two separate jurisdictions: One with jurisdiction over “unfair acts” in connection with the importation of articles from abroad (the Commission), and the other with jurisdiction over the validity of domestic patents (the district court).⁵⁵

These jurisdictions have collided primarily in two situations: first, where one tribunal is asked to exercise mandamus jurisdiction over the other; and second, where one tribunal is faced with a final decision of the other and is asked to give that decision preclusive effect.

1. *Simultaneous Proceedings—Mandamus Jurisdiction*

Where the district court and ITC proceedings are taking place simultaneously, one tribunal may be asked to grant an injunction affecting the litigation in the other tribunal. Because of the separate jurisdictional spheres of the two tribunals, each is loathe to encroach upon the other. The district court in *In re Convertible Rowing Exerciser Patent Lit.*⁵⁶ refused to stay a parallel Section 337 investigation involving the same parties. The Court reasoned that neither Section 337(b)(1)⁵⁷ nor 20 U.S.C. Section 1651⁵⁸ was a sufficient ground for the district to

⁵⁵ *Id.* at 375 (footnote omitted).

⁵⁶ 616 F.Supp. 1134, 228 USPQ 726 (D. Del. 1985).

⁵⁷ Section 337 explicitly allows for the possibility of suspending an ITC investigation “because of proceedings in court or agency of the United States involving similar questions concerning the subject matter of such investigation”. 19 U.S.C. § 1337(b)(1).

⁵⁸ The All Writs Act.

suspend an ongoing ITC investigation.⁵⁹

Likewise, in *Ashlow*,⁶⁰ the Fourth Circuit held that the district court had no mandamus jurisdiction over the ITC. In response to the district court's judgment of invalidity and unenforceability of the patent at issue, the Commission had ordered respondent to post a bond on its imports during the period of appellate review of the district court's judgment. The district court issued an order staying the Commission's bond order, which the Circuit Court vacated: "There is no authority under § 1651 for either jurisdiction to review the actions and decisions of the other. That being true, there is no jurisdiction in either to mandamus the other in the exercise of its exclusive jurisdiction."⁶¹

Certainly a court or the ITC (within its statutory time limits) is free to stay its own proceedings and wait for a decision in a simultaneous litigation. However, such a stay in district court would make little sense where the ITC determination would have no bearing on the administration or outcome of the district court action.⁶² In fact, the Federal Circuit has questioned the

⁵⁹ 616 F.Supp. at 1138, 228 USPQ at 728 ("Neither a federal district court nor the ITC may transgress upon the jurisdiction of the other"). The same court later, however, declined to give the final decision of the ITC *res judicata* effect in its own proceedings, on the grounds that the district courts have exclusive jurisdiction over patent matters. *In re Convertible Rowing Exerciser Patent Lit.*, 721 F.Supp. 596, 12 USPQ2d 1277 (D. Del. 1989).

⁶⁰ 672 F.2d 371.

⁶¹ *Id.* at 375. The CCPA also refused to compel the Commission to revoke its order by mandamus on the grounds that it (the CCPA) had jurisdiction to entertain a direct appeal of the order. *Ashlow, Ltd. v. USITC*, 673 F.2d 1265, 213 USPQ 351 (CCPA 1982).

⁶² See *Convertible Rowing*, 616 F.Supp. at 1139, 228 USPQ at 728 ("Moreover, there is no indication on this record that the ITC investigation will in any way frustrate or impinge upon federal district court administration of this particular multidistrict litigation").

practice where a district court stayed a patent infringement action pending resolution of an appeal from an ITC determination.⁶³

In actions involving non-patent issues, stays have been granted pending appeal of ITC determinations.⁶⁴

2. *Successive Proceedings*

Where one tribunal has made a final determination on intellectual property matters, the question arises whether the final determination was so within the jurisdiction of the first tribunal so as to preclude relitigation in the second tribunal.

a. *Patent Matters*

The jurisdictional conflict between the ITC and the courts on patent matters is primarily centered around the “exclusive” grant of original jurisdiction to the district court in Section 1338(a). The statute grants exclusive “original jurisdiction of any civil action arising under any Act of Congress relating to patents”.⁶⁵

⁶³ *Corning Glass*, 799 F.2d at 1570 n.12, 230 USPQ at 830 n.12:

The [district court] action has been stayed pending resolution of this appeal. We question this practice which appears to cause unnecessary delay in resolution of the basic dispute between the parties. Here, non-patent issues are dispositive of this case. Moreover, the ITC takes the position that its decisions have no *res judicata* effect in such litigation. Although this question has not been addressed by this court, the legislative history of the Trade Reform Act of 1974 supports the Commission’s position. . . . [citation omitted].

⁶⁴ See *Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 207, 13 USPQ2d 1450, 1457 (D. Md. 1989).

⁶⁵ Under the statute, the district courts have not been granted either original or exclusive jurisdiction over patent “issues”, but only over patent “actions” that arise under an Act of Congress.

As stated above,⁶⁶ the exact wording of the statute merely gives jurisdiction that is “exclusive of the courts of the states”.⁶⁷ The statute is silent as to exclusivity with respect to the ITC. Moreover, validity and enforceability are now among the issues to be pleaded in the complaint under Section 337.⁶⁸

Since Congress granted original jurisdiction that is exclusive of courts of the states only, the ITC’s original jurisdiction under Section 337 should not be interpreted as limited.

Further, it is problematical whether the restrictive statements in the 1974 legislative history, that ITC determinations of validity and enforceability⁶⁹ are not to be considered *res judicata* in district court, would still apply after 1988, when Congress elevated these issues into the original jurisdiction of the ITC. The statements of the 1974 legislative history apply to affirmative defenses.⁷⁰ Those statements are less persuasive when applied to elements of cause of action.

⁶⁶ See *supra*, text at nn.27-28.

⁶⁷ Patent issues may be brought in state courts only as affirmative defenses. They may not appear in counterclaims; they may not be a basis of the complaint. See *Speedco, Inc.*, 853 F.2d at 913, 7 USPQ2d at 1641. In *Speedco*, the Federal Circuit held that the district court did not have jurisdiction over a contract claim, as plaintiff “would not need to prove as an element of his well-pled contract claim that the ‘833 patent is valid’”. The court stated, “The invalidity of the patent merely would be raised by Speedco, if at all, as an excuse for its failure to perform under the contract, and therefore would only be an element of the defense to the contract action to recover the overdue installment payments.”

⁶⁸ 19 U.S.C. § 1337(a)(1)(B)(i) makes “unlawful” the “importation” of articles that “infringe a valid and enforceable United States Patent.” See *supra*, text at n.52.

⁶⁹ These were first allowed by the 1974 amendments.

⁷⁰ See *Lannom*, 799 F.2d at 1577, 231 USPQ at 36.

Nevertheless, the courts have held that the “exclusive” jurisdiction of the district court granted by Section 1338(a) prevents giving preclusive effect to a prior ITC determination on patent issues. The following case illustrates:

i. In re Convertible Rowing Exerciser Patent Litigation

In considering a motion for summary judgment, the U.S. District Court for the District of Delaware addressed what it characterized as an “issue of first impression,” which “may affect the emerging patent litigation strategy of ‘testing the water’ on patent validity, enforceability and infringement issues before the [ITC].”⁷¹ The court was asked to grant summary judgment of invalidity based on an ITC determination of patent invalidity which had been affirmed by the Federal Circuit in an unpublished opinion.⁷²

The Court held that the jurisdiction of the district courts in patent matters and the ITC in trade matters is exclusive and not overlapping. While the ITC of necessity must make determinations of validity, enforceability and infringement in the course of exercising its jurisdiction over trade matters, the district court maintains its exclusive original jurisdiction under 28 U.S.C. Section 1338 over those same patent “issues.”⁷³ The court concluded, “In order to preserve the jurisdictional structure intended by Congress in patent matters, this Court must deny

⁷¹ *In re Convertible Rowing*, 721 F.Supp. at 597, 12 USPQ2d at 1276. The court considered that the issue was one of first impression because of the fairly recent unified appeals path from both the ITC and district courts to the Federal Circuit. *Id.*

⁷² *Diversified Products Corp. v. USITC*, 824 F.2d 980 (Fed. Cir. 1987) (unpublished).

⁷³ 721 F.Supp. at 600-02, 12 USPQ2d at 1279-81. The court referred to the “validity and enforceability” language of the legislative history. There is no reference in the legislative history to the issue of infringement, nor was such a reference essential to the court’s decision.

preclusive effect to the ITC determination.”⁷⁴ The court further reasoned that the specific questions on review from ITC determinations differed “in both form and substance” from those on review from district court actions:

The Federal Circuit reviews district court decisions under section 1338 with regard to patent validity, enforceability and infringement; whereas, the Federal Circuit reviews whether the ITC made the correct determination under section 337 as to unfair trade practices in import trade.⁷⁵

b. Non-Patent And Patent-Related Matters

In non-patent decisions, where the exclusivity of district court jurisdiction is not statutorily mandated, courts considered themselves free to grant preclusive effect to ITC determinations. The following cases illustrate:

i. Baltimore Luggage v. Samsonite

In this recent case, the court granted preclusive effect to an ITC determination concerning affirmative defenses of antitrust and unfair competition.⁷⁶ In response to the argument that Section 337 was meant to supplement rather than to replace other provisions of law, the court stated that the way in which Section 337 was intended to supplement other provisions was to provide a more effective remedy than those already available. “There is no support for the ITC’s [amicus] argument that Congress intended *adjudications* made during a § 1337 proceeding to be supplemental to adjudications in other proceedings.”⁷⁷ The

⁷⁴ *Id.* at 602. 12 USPQ2d at 1280.

⁷⁵ *Id.*

⁷⁶ *The Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 13 USPQ2d 1450 (D. Md. 1989).

⁷⁷ *Id.* at 206, 13 USPQ2d at 1453 (emphasis in original).

court stated that since district court are not given exclusive jurisdiction over trademark and other non-patent matters, ITC decisions on such matters should be give preclusive effect.⁷⁸

ii. *Telectronics v. Medtronic*

In a patent case, the patent holder first filed in the ITC, and four months later the respondent filed a declaratory judgment action in district court.⁷⁹ Antitrust claims were subsequently added in the district court action. After the ITC made its determination, the respondent/plaintiff filed a motion in district court for partial summary judgment that the defense of a license with respect to one of the asserted patents was barred by *res judicata*, based on the prior ITC determination. The district court accorded the ITC determination preclusive effect on the ground that the matter had been within the jurisdiction of the ITC.⁸⁰

The court reiterated the usual rule that because the federal courts have exclusive jurisdiction over patent claims, the ITC may consider issues such as validity only to the extent that they impact on the Section 337 claim. However, the court held that ITC determinations of issues other than those for which the district court has exclusive jurisdiction carry preclusive weight:

Of concern in this motion is the effect of the ITC's determination as regards the existence of a license under a patent; this determination was not one of the validity of a pat-

⁷⁸ *Id.* at 206-07, 13 USPQ2d at 1454.

⁷⁹ *Telectronics Proprietary Ltd. v. Medtronic, Inc.*, 687 F.Supp. 832, 7 USPQ2d 1777 (S.D. N.Y. 1988).

⁸⁰ 687 F.Supp. at 846 ("Because the ITC decision was on a matter within its jurisdiction (the existence of a license is a defense to a claim of unfair competition), there is no jurisdiction-based reason why the ITC determination should not be accorded issue-preclusive effect").

ent, but of the existence of a contract. Tribunals other than the federal courts have the authority to decide matters involving contracts relating to patents.⁸¹

The court thus affirmed that the prior ITC determination concerning the existence of a license between the parties had preclusive effect.⁸²

iii. *Union Manufacturing v. Han Baek*

Following an unsuccessful action in the ITC based on trademark infringement, passing off and false designation of origin, the complainant filed an action in district court in lieu of appealing the decision to the Federal Circuit. Defendant answered by asserting *res judicata* based on the ITC determination. This defense was not addressed by the district court. Following a jury verdict of infringement, defendant appealed.

The Second Circuit⁸³ ruled that a party whose common-law trademark was held invalid by a final decision of the ITC was estopped from suing the same party on the same grounds in district court, instead of and before appealing the ITC decision. The court reasoned, "Litigants should not be able to circumvent the decisional authority of the ITC and the reviewing authority of the Federal Circuit by filing in a district court what amounts to a collateral attack on the ITC determination".⁸⁴ Re-

⁸¹ *Id.* at 846, 7 USPQ2d at 1787-88.

⁸² *Id.* at 847, 7 USPQ2d at 1788-89.

⁸³ *Union Mfg. Co. v. Han Baek Trading Co.*, 763 F.2d 42, 226 USPQ 12 (2d Cir. 1985).

⁸⁴ *Id.* at 45, 226 USPQ at 14. See also *Wilson v. Hovanec, The Growing Importance of Trademark Litigation Before the International Trade Commission under Section 337*, 76 Trademark Rep. 1, 17-18 (1986).

ferring to the jurisdictional issue, the court stated that the “jurisdictional bar to *res judicata* treatment of ITC patent validity determinations simply does not apply to other decisions by the ITC”.⁸⁵

In an unusual and creative remedy, the Second Circuit ordered the district court to stay its proceedings to allow the plaintiff the opportunity to file an appeal in the Federal Circuit.⁸⁶ If the Federal Circuit refused to take the appeal, the district court was to vacate the stay and retry the case. This novel remedy was instituted because the plaintiff’s belief that there would be no *res judicata* effect of the ITC action was reasonable, and because the judgment of the district court would have had to be vacated on other grounds in any event.⁸⁷ Thus, the court declined to penalize plaintiffs for their strategic misjudgment.⁸⁸

⁸⁵ 763 F.2d at 45, 226 USPQ at 14.

⁸⁶ At the time of the ITC action, there was no statutory time limit for appeals to be taken from ITC actions. *Id.* at 46, 226 USPQ at 15. A sixty-day time limit was enacted in 1984. See Trademark Clarification Act of 1984, Pub. L. No. 98-620, § 413, 98 Stat. 3335, 3362, codified at 19 U.S.C. § 1337(c).

⁸⁷ 763 F.2d at 46, 226 USPQ at 15.

⁸⁸ On appeal in the Federal Circuit, the ITC moved to dismiss on the grounds that the appeal was not filed within sixty days of the effective date of the legislation enacting the 60-day limit. The motion was denied based on the same reasoning as that of the Second Circuit, i.e., that Union’s behavior was not unreasonable under the circumstances. *Union Mfg. Co. v. USITC*, 781 F.2d 186, 228 USPQ 272 (Fed. Cir. 1985). The appeal went forward and was decided in an unpublished decision affirming the determination of no violation of section 337. *Union Mfg. Co. v. USITC*, 826 F.2d 1071 (Fed. Cir. 1987) (unpublished).

IV. *RES JUDICATA* CONSIDERATIONS

While the jurisdictional statutes create the possibility of dual path litigation, doctrines of judicial preclusion can limit or prevent such duplication of litigation. Due to the similarity of treatment in the two fora and the very high expense for both the parties and the judicial system of duplicative litigation, the courts try to apply the doctrines of *res judicata* or collateral estoppel whenever they can to preclude retrial of an already-decided issue or claim. While there are several aspects of preclusion determinations that are unique to the district court/ITC arena, many aspects are similar if not identical to the application in other spheres of jurisprudence.

A. *Administrative Res Judicata—ITC Determinations Are Presumed Preclusive*

As a starting point, there is no barrier to the application of *res judicata* to administrative determinations in the context of district court actions. It is well established that an administrative agency, when acting in a judicial capacity, can issue decisions that are final and binding on the district courts.⁹⁹ The standards for giving an administrative determination *res judicata* effect are the same as for a prior district court action, the primary question being whether the parties had a full and fair opportunity to litigate the issues in the first instance.⁹⁹ Fol-

⁹⁹ *United States v. Utah Constr. Co.*, 384 U.S. 394, 422 (1966) (“When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it which the parties have had an adequate opportunity to litigate, the courts have not hesitated to apply *res judicata* to enforce repose”).

⁹⁹ *Convertible Rowing*, 721 F.Supp. at 600, 12 USPQ2d at 1278. The court found, however, that administrative *res judicata* did not apply, as the issues addressed by the ITC and the district court were “distinct in both form and substance”. *Id.* at 603, 12 USPQ2d at 1281. This was in reality a jurisdictional argument, *see supra*, Section III.C.2.a.i, as the patent issues considered in both cases are essentially identical.

lowing is a brief summary of the standards applied by the courts in considering issues of judicial preclusion.

The doctrine of judicial preclusion operates to prevent relitigation of a previously litigated claim between the same parties ("claim preclusion" or "*res judicata*"), or to prevent relitigation by one of the parties of a previously litigated issue ("issue preclusion" or "collateral estoppel").⁹¹ These doctrines⁹² may be invoked "defensively"⁹³ against a prior plaintiff who sues again, or "offensively"⁹⁴ to establish a matter that the

⁹¹ See *Jackson Jordan, Inc. v. Plasser Am. Corp.*, 747 F.2d 1567, 1575, 224 USPQ 1, 6 (Fed. Cir. 1984); Annotation, *Proper Test to Determine Identity of Claims for Purposes of Claim Preclusion by Res Judicata under Federal Law*, 82 A.L.R. Fed. 829. Claim preclusion may apply even if some issues have not been litigated. "Collateral estoppel" can in some jurisdictions also be based on inconsistent positions of the other party. See *Jackson Jordan*, 747 F.2d at 1575, 224 USPQ at 6.

⁹² For convenience here, collectively referred to as "*res judicata*". For the distinction between claim and issue preclusion and "bar", "merger", "direct estoppel" (issue preclusion by same claim) and "collateral estoppel" (issue preclusion by different claim) as provided by the Restatement (Second) of Judgments (1982) and as used by the Federal Circuit, see *Young Engineers*, 721 F.2d at 1314, 219 USPQ at 1150.

⁹³ See, e.g., *Blonder-Tongue Labs. v. University Found.*, 402 U.S. 313, 169 USPQ 513 (1971).

⁹⁴ See e.g., *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979).

opposing party lost in previous litigation against a third party.”

A policy favoring economic efficiency underlies the doctrine of *res judicata*. The relitigation of questions and disputes that have already been decided imposes needless costs on the parties and on the judicial system,” diverting time and money of the parties,” of the judicial system” and of society,” resulting in an

” See generally *Erbamont, Inc. v. Cetus Corp.*, 720 F.Supp. 387, 394 n.19, 12 USPQ2d 1344, 1350 n.19 (D. Del. 1989):

Under the traditional doctrine of *res judicata* (claim preclusion) a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action. The related doctrine of collateral estoppel (issue preclusion) makes a determination of any issue actually contested between the parties and decided in a way necessary to the judgment conclusive between the parties and the privies in subsequent litigation between them on a different claim or cause of action. Unlike *res judicata*, collateral estoppel may be asserted by a stranger to the prior litigation, but (like *res judicata*) only against parties to the earlier proceeding and their privies. [citations omitted]

” “If litigation were costless, both to the litigants and to society, it might be desirable never to allow collateral estoppel to preclude a lawsuit. But with most mortal endeavors, litigation is not so blessed. Collateral estoppel is a rule of repose and as such is not always pure or just or even cognitive. Efficiency and economy in judicial administration have their places in our judicial schema”. *Blumcraft of Pittsburgh v. Kawneer Co., Inc.*, 482 F.2d 542, 549, 178 USPQ 513, 518 (5th Cir. 1973).

” *Blonder-Tongue*, 402 U.S. at 338, 169 USPQ at 523 (“These moneys could be put to better use, such as further research and development”).

” *Id.* at 348-49, 169 USPQ at 527.

” As to economic consequences when an invalid patent remains a viable basis of litigation, see *id.* at 346-47, 169 USPQ at 526-27.

economically undesirable misallocation of resources.¹⁰⁰

A democratic fairness principle also underlies the doctrine. First, it is unfair to the prevailing litigant to require it to go back over the same legal ground, with the threat that its first victory could be taken away in a second action. Second, the skyrocketing costs of litigation allow a powerful plaintiff who has lost once and is not impeded from suing again to more easily force an opponent to a settlement in the second suit.¹⁰¹ This danger is particularly acute in cases involving intellectual property, as the statutory presumption of validity renders the defendant's proof very expensive. "As a consequence, prospective defendants will often decide that paying royalties under a license or other settlement is preferable to the costly burden of challenging the patent."¹⁰²

The requirements for preclusion of litigation on a claim or issue are that: (1) the issue is identical to one decided in the prior action; (2) the issue was actually litigated in the prior action; (3) resolution of the issue was essential to final judgment in the prior action; and (4) the plaintiff had a full and fair opportunity to litigate the issue in the prior action.¹⁰³ The existence of a full and fair opportunity to litigate depends upon¹⁰⁴ (1) who

¹⁰⁰ *Id.* at 329, 219 USPQ at 519.

¹⁰¹ *Id.* at 338, 219 USPQ at 523.

¹⁰² *Id.*; see generally D. Chisum, Patents § 19.02[2].

¹⁰³ See *Blonder-Tongue*, 402 U.S. at 323, 169 USPQ at 517; *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702, 218 USPQ 965, 967 (Fed. Cir. 1983), *cert. denied*, 464 U.S. 1042 (1984).

¹⁰⁴ See *Blonder-Tongue*, 402 U.S. at 333, 169 USPQ at 518 (1971); *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990, 992-94, 203 USPQ 642, 643-48 (7th Cir. 1979), *cert. denied*, 444 U.S. 1102 (1980).

chose the forum; (2) incentive to litigate; (3) the court's grasp of the subject matter and issues; and (4) deprivation of crucial evidence.¹⁰⁵

B. *Res Judicata And Intellectual Property Rights*

Several factors distinguish preclusion of issues involving intellectual property rights from those involving on other issues. First, a finding that the rights at issue are valid and enforceable is a prerequisite in an action involving intellectual property. In the interests of economy and predictability, a preclusive finding of validity may be desirable. However, the very nature of intellectual property rights thwarts a "final" adjudication of validity.

Second, a finding of infringement or noninfringement is a finding only against the particular items at issue.¹⁰⁶ Once an accused infringer loses, it can still try to make or sell a different product to avoid the judgment of infringement.¹⁰⁷

Under *Blonder-Tongue*, a judgment of invalidity of a patent after a full and fair district court trial extends to all other actions involving the same patent. Therefore, the patentee is forever estopped from asserting the validity of the patent. In ef-

¹⁰⁵ Offensive use of collateral estoppel requires further that the plaintiff could not easily have joined in the earlier action, or that the application of estoppel is not unfair to a defendant. See *Parklane Hosiery*, 439 U.S. at 330-32 (1979). It would be unfair to apply offensive estoppel where (1) the defendant sued in the first action had no or little incentive to defend vigorously, (2) the judgment was itself inconsistent with prior decisions, or (3) the second action afforded the defendant procedural opportunities unavailable in the prior action that could readily cause a different result. *Id.*

¹⁰⁶ See *MGA, Inc. v. Centri-Spray Corp.*, 699 F.Supp. 610, 613-15, 7 USPQ2d 1861, 1863-65 (E.D. Mich. 1987).

¹⁰⁷ *Young Engineers*, 721 F.2d at 1316-17, 219 USPQ at 1152.

fect, the patent itself is branded as invalid; a type of "in rem invalidity".¹⁰⁸

Validity of a patent, on the other hand, cannot be determined with finality. The validity of a patent is presumed¹⁰⁹ until rebutted. A finding against one challenging a patent is not a determination of validity, but is rather, as the Federal Circuit has identified, that the "one attacking validity has not overcome the statutory presumption of validity",¹¹⁰ i.e. that the patent is "not invalid".

Intellectual property rights are of great importance to the public interest¹¹¹ because they are exceptions to the general rules against monopolies. The availability of continuing challenges to validity facilitates removal of invalid holdings as restrictions on public rights. Nevertheless, holdings of "validity" may serve in later litigations as "red flag warnings",¹¹² and they may be respected on ground of comity.¹¹³ Further, such holdings are

¹⁰⁸ See D. Chisum, Patents § 10.02[2]. See also the proposal of the President's Commission on the Patent System quoted in *Blonder-Tongue*, 402 U.S. at 339, 169 USPQ at 524.

¹⁰⁹ 35 U.S.C. § 282 (1981 & Supp. 1989).

¹¹⁰ *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 711, 218 USPQ 969, 974 (Fed. Cir. 1983).

¹¹¹ See, e.g., *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 816 (1945); *Lear*, 395 U.S. at 668, 162 USPQ at 7 (1969) ("[F]ederal law requires that all ideas in general circulation be dedicated to the common good unless they are protected by a valid patent").

¹¹² See *Stevenson v. Sears*, 713 F.2d at 711, 218 USPQ at 975 (Fed. Cir. 1983); *Blumcraft*, 482 F.2d at 548, 178 USPQ at 517.

¹¹³ See D. Chisum, Patents § 19.02[2][e].

considered binding as between the same parties.¹¹⁴ Irrespective of any previous validity holdings, the court in a subsequent action still must examine newly presented prior art,¹¹⁵ regardless of the identity of the party introducing the prior art and unbound by prior judgments that held the same patent to be "valid".

These rationales have been applied not only in patent cases, but also in trademark¹¹⁶ and copyright cases.¹¹⁷

The question of whether state court judgments on patent issues, decided in the context of state claims, are collateral estoppel for patent claims under 35 U.S.C. in district court, has apparently not been decided by the courts.¹¹⁸ The presumption

¹¹⁴ D. Chisum, Patents § 19.02[2][e]; § 19.02[3][c] ("A judgment of validity of a patent, rendered on the merits after contested litigation, will operate as *res judicata* against a party or persons in privity with a party") (citing *A.W. Schnitger v. Canoga Elec. Corp.*, 462 F.2d 628, 174 USPQ 321 (9th Cir. 1972)).

¹¹⁵ After a previous finding of validity the Seventh Circuit required a challenger to validity to present new evidence of invalidity and to demonstrate a distinction from the evidence that was the premise of the previous validity holding. See *American Photocopy Equip. Co. v. Rovico, Inc.*, 384 F.2d 813, 155 USPQ 119 (7th Cir. 1967), *cert. denied*, 390 U.S. 945 (1968).

¹¹⁶ See *Miller Brewing*, 605 F.2d 990, 203 USPQ 642.

¹¹⁷ In *Bell v. Combined Registry Co.*, 397 F.Supp. 1241, 188 USPQ 707 (N.D. Ill. 1975), *aff'd*, 536 F.2d 164, 191 USPQ 493 (7th Cir.), *cert. denied*, 429 U.S. 1001 (1976), the court applied the *Blonder-Tongue* reasoning to copyright validity. In finding that a previous finding of validity was no bar to a challenge to validity, the court noted certain issues as to validity that were not raised in the previous action. The party asserting invalidity was not a party to the previous action. See also *M. Nimmer, Nimmer on Copyright*, § 12.07 N. 14.

¹¹⁸ See *Intermedics Infusaid v. Regents of Univ. of Minn.*, 804 F.2d 129, 133, 231 USPQ 653, 656 (Fed. Cir. 1986) (question awaits future resolution); see also D. Chisum, Patents § 21.04[4] N. 1.

is that they would be, as federal courts have in other areas given *res judicata* effect to state court determinations involving interpretation of federal law.¹¹⁹

C. Res Judicata Between The District Court And The ITC

The problem of preclusion between proceedings in the ITC and in district court based on the same intellectual property rights has arisen in situations both where a federal district court has first decided an issue, and where the ITC has decided first.

1. The Effect Of Prior Court Decisions On Proceedings In The ITC

Where a district court action is decided before or during a parallel ITC investigation, it falls to the ITC to decide whether or not to give preclusive effect to the court decision. The following cases illustrate the disparate ways in which the ITC has handled this circumstance:

a. Young Engineers

A district court infringement action was filed in 1969, and dismissed with prejudice in 1972. In 1981, plaintiff in that action filed a complaint in the ITC against the same party based on the same patents. Respondent raised the affirmative defense of *res judicata* based on the prior district court litigation. The Commission found the patents valid and infringed, and that the proceedings were not barred by *res judicata*.¹²⁰

¹¹⁹ See, e.g., *Kremer v. Chemical Constr. Co.*, 456 U.S. 461, 466 n.6 (1982) (“[T]he federal courts consistently have applied *res judicata* and collateral estoppel to causes of action and issues decided by state courts”).

¹²⁰ *Young Engineers, Inc. v. USITC*, 721 F.2d 1305, 219 USPQ 1142 (Fed. Cir. 1983).

On appeal, the Federal Circuit held that an ITC action would be barred if the patent owner had unsuccessfully sued the alleged infringer for the same infringing acts in a prior court proceeding, just as the patent owner would be precluded from relitigating in district court:

[T]he evils of vexatious litigation and waste of resources are no less serious because the second proceeding is before an administrative tribunal. . . . [N]o substantive argument has been advanced as to why the patent owner should be given an opportunity to put forth the same charge of infringement again. The alleged infringer is as burdened by the litigation before the Commission as before a court. Moreover, if a second court proceeding would be precluded, there seems no reason that the Commission must devote time and attention to that matter.¹²¹

Nevertheless, the complainant was not barred from relitigating because the actual infringing items complained of were not the same as those earlier litigated.¹²²

b. Certain Steel Rod Treating Apparatus

On December 10, 1981, the ITC issued an exclusion order based on a patent covering certain steel rod treating apparatus.¹²³ On December 30, 1981, the U.S. District Court for the District of South Carolina ruled from the bench, finding the patent invalid and unenforceable.¹²⁴ Respondents then filed a mo-

¹²¹ *Id.* at 1315, 219 USPQ at 1151.

¹²² *Id.* at 1316, 219 USPQ at 1151.

¹²³ *In re Certain Steel Rod Treating Apparatus and Components Thereof*, 215 USPQ 229 (USITC 1981).

¹²⁴ *Ashlow, Ltd. v. Morgan Constr. Co.*, 213 USPQ 671 (D.S.C. 1982).

tion before the Commission for reconsideration of the determination.¹²⁵ The Commission declined to change its decision to conform to the district court opinion, stating:

While the decisions of the district courts on patent issues are entitled to great respect and deference, they are not, however, automatically binding on the commission.¹²⁶

The Commission stated that the conflict between the decisions of the two fora should be resolved by the appeals courts.¹²⁷

c. *SSIH*

On June 19, 1981, the Commission issued an exclusion order based on a determination that the three patents in suit were

¹²⁵ The ITC, based on the fact that the district court's decision was on appeal, had originally issued an order permitting entry under bond. Respondent filed for and obtained a writ of mandamus by the district court ordering the ITC to revoke its order of entry under bond. This order was reversed and vacated by the Fourth Circuit. *Ashlow, Ltd. v. Morgan Constr. Co.*, 672 F.2d 371 (4th Cir. 1982). A second petition to the CCPA for a writ of mandamus was denied. *Ashlow, Ltd. v. USITC*, 673 F.2d 1265, 213 USPQ 351 (CCPA 1982). It is interesting as a sidelight that the ITC's solution of allowing entrance under bond during parallel litigation follows the suggestion of the Administration in 1973 which was modified by the House Ways and Means Committee in H.R. 10710, at 78. See Kaye & Plaia, *Revitalization of Unfair Trade Causes in the Importation of Goods: An Analysis of the Amendments to Section 337* (Part II: Conclusion), 57 J. Pat. Off. Soc'y 269, 298-305.

¹²⁶ *In re Certain Steel Rod Treating Apparatus and Components*, 218 USPQ 444, 446 (USITC 1982).

¹²⁷ *Id.* at 446 ("The conflict between the Commission's and the district court's decisions turns on differing interpretations of the law of obviousness and patent fraud. These issues should be resolved on appeal"). The Commission did not address the issue of how conflicts between the separate courts of appeal, i.e. the CCPA and regional circuit, would in turn be resolved.

valid and infringed. On July 16 and 17, 1981, two of the three patents were held invalid in a district court infringement action to which the respondent SSIH was not a party. While the exclusion order was pending before the President¹²⁸ and while the district court judgment was still on appeal, the ITC *sua sponte* modified its exclusion order, suspending that portion of the order referring to the two invalidated patents pending appeal.¹²⁹

The Federal Circuit¹³⁰ held that the Commission had the authority to modify the order with respect to the two patents that were invalidated by the district court, and that it had made the requisite findings to support that decision.¹³¹ The court, however, reserved decision on the issue of whether the ITC would have been *required* to so modify its order under *Blonder-Tongue*, stating only that the Commission's modification was justifiable.¹³²

2. *The Effect of Prior ITC Decisions on the Courts*

Because an ITC proceeding has a statutorily-dictated time limit for completion, it is more likely that the ITC determination will be rendered first, even when the district court case had been filed earlier. If a court is confronted with a final decision of the ITC, it must decide whether to give preclusive effect to the ITC's decision.

¹²⁸ See 19 U.S.C. § 1337(j).

¹²⁹ The appeal was to the Sixth Circuit.

¹³⁰ SSIH Equip., S.A. v. USITC, 718 F.2d 365, 218 USPQ 678 (Fed. Cir. 1983).

¹³¹ *Id.* at 370, 218 USPQ at 683.

¹³² *Id.* at 370 n.8, 218 USPQ at 684 n.8.

a. *Patent Related Decisions*

Determination on patent issues, which are generally not given preclusive effect because of jurisdictional considerations, are nevertheless considered to be otherwise deserving of *res judicata* effect. The following cases illustrate:

i. *In re Convertible Rowing Exerciser Patent Litigation*¹³³

In a well-reasoned and comprehensive opinion, the court enumerated the many reasons why ITC determinations should be given preclusive effect. Failure to do so, said the court, would give rise to "prudential as well as practical problems".¹³⁴ These include:

1. The lower courts may be put in the difficult position of disagreeing with the decision of the Federal Circuit on the ITC appeal, yet would be reviewed on appeal by the same Federal Circuit.¹³⁵
2. Third parties who have relied on a Federal Circuit decision affirming an ITC determination of invalidity might be prejudiced if the Federal Circuit later affirmed a district court judgment of validity. Such a result is disapproved of by the courts, and is one

¹³³ *In re Convertible Rowing Exerciser Patent Lit.*, 721 F.Supp. 596, 597, 12 USPQ2d 1275, 1276 (D. Del. 1989).

¹³⁴ *Id.* at 599, 12 USPQ2d at 1277.

¹³⁵ *Id.*, 12 USPQ2d at 1277-78 ("This Court then would be placed in the awkward position of disagreeing with a Federal Circuit decision upholding the invalidity of the '071 patent and the same Court of Appeals would be asked to hear the appeal of the decision by this Court finding the '071 patent not invalid. (The implications of such circumstances need not be discussed in detail at this point.)").

which the doctrine of *res judicata* was intended to avoid.¹³⁶

3. Such a result would be contrary to *Blonder-Tongue*, as the plaintiffs had a full and fair opportunity to adjudicate before the ITC, which made adequate findings showing its full grasp of the facts.¹³⁷
4. Plaintiffs chose to pursue their relief at the ITC.
5. The doctrine of administrative *res judicata* would normally bar relitigation in the courts of the same cause of action between the same parties.¹³⁸

After laying out its convincing argument on why ITC determinations should be given *res judicata* effect, the court refused to do so, citing the jurisdictional rationale¹³⁹ and the 1974 legislative history.¹⁴⁰ The court stated that the issues in an ITC action differ from those in a district court action.

¹³⁶ *Id.* at 599-600, 12 USPQ2d at 1278.

¹³⁷ *Id.* at 600, 12 USPQ2d at 1278.

¹³⁸ *Id.*, 12 USPQ at 1279.

¹³⁹ *See supra*, Section III.C.2.a.

¹⁴⁰ It has been argued that the legislative history, being written prior to the formation of the Federal Circuit as the common court of appeals for district courts and the ITC, is no longer controlling. *See In the Matter of Certain Apparatus for Disintegration of Urinary Calculi*, Inv. No. 337-TA-221, Order No. 3 (USITC June 6, 1985) ("This major development [formation of the Federal Circuit] makes reliance on the legislative history of the 1974 Act inappropriate to the extent that it would limit the *res judicata* effect of the new CAFC").

ii. *Glasstech v. Ab Kyro Oy*

Prior ITC determinations have been held to be sufficient to establish irreparable harm and likelihood of success for purposes of a preliminary injunction, i.e., where the jurisdictional question is not an impediment. In 1986, the U.S. District Court for the Northern District of Ohio¹⁴¹ considered the question of whether an ITC determination of validity and infringement was sufficient grounds for finding irreparable harm, for the purpose of issuing a preliminary injunction.¹⁴² The district court patent action involved the same patent and the same parties.¹⁴³

The court held that the ITC determination of validity and infringement was sufficient to establish both irreparable harm and likelihood of success. While observing that “[a] finding by the ITC may or may not ‘clearly establish’ validity and infringement for the purpose of a presumption of irreparable harm in accordance with *Smith*”, the court pointed out that the Administrative Law Judge had held a nine-day hearing, that 485 exhibits were entered into evidence, and that five attorneys were present to represent the interests of respondents alone.¹⁴⁴ In finding the ITC determination sufficient to show a likelihood of success in the district court action, the court reasoned:

¹⁴¹ *Glasstech, Inc. v. Ab Kyro Oy*, 635 F.Supp. 465, 229 USPQ 145 (N.D. Ohio 1986).

¹⁴² The movant had argued that under *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 219 USPQ 686 (Fed. Cir.), *cert. denied*, 464 U.S. 996 (1983) and *Roper Corp. v. Litton Systems, Inc.*, 757 F.2d 1266, 225 USPQ 345 (Fed. Cir. 1985), in the *Glasstech* court’s words, “irreparable harm will be presumed in a patent case where validity and infringement have been clearly established.” 635 F.Supp. at 468, 229 USPQ at 146.

¹⁴³ Respondent/defendant had tried to circumvent the ITC’s exclusion order by manufacturing and selling the excluded systems domestically, and was subsequently sued in district court.

¹⁴⁴ 635 F.Supp. at 468, 229 USPQ at 147.

[A]lthough the ITC's decision has no binding effect on this Court, the proceedings before the agency were quite extensive and comparable to those which might take place before a federal district court. Even though the ITC proceedings are not *res judicata*, the inference that this Court must draw on plaintiff's probability of success on the merits is inescapable.¹⁴⁵

The court granted injunctive relief under bond, based in part on the ITC exclusion order.¹⁴⁶

iii. *Corning Glass v. Sumitomo*

In a district court case in the Southern District of New York,¹⁴⁷ the court made a finding of willfulness, based on an ITC determination of validity and infringement which had been vacated by the Federal Circuit.¹⁴⁸ The district court reasoned that even though the determination had been vacated, the ALJ's findings on the patent issues were sufficiently persuasive that the accused infringer should have been on notice that the patent was probably valid and infringed. The court found willful infringement as of the date of the ITC determination,¹⁴⁹ stating

¹⁴⁵ *Id.*

¹⁴⁶ *Id.* at 469, 229 USPQ at 147.

¹⁴⁷ *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 671 F.Supp. 1369, 1401, 5 USPQ2d 1545, 1571 (S.D. N.Y. 1987).

¹⁴⁸ The Federal Circuit affirmed the ALJ's finding of no domestic industry, and thus no violation of Section 337. *Id.* The district court's holding was based on the ITC determination plus a separate Canadian action.

¹⁴⁹ 671 F.Supp. at 1401, 5 USPQ2d at 1571 ("While neither the vacated ITC decision nor the Canadian decision is binding here, and this Court does not rely on either in reaching its decision as to validity and infringement of the U.S. patents in suit, it is believed appropriate to consider those decisions in ruling on Corning's contention that Sumitomo's infringement of the '915 patent has been willful").

that “every contention which Sumitomo makes here was carefully considered and rejected” by the ITC.¹⁵⁰

b. Non-Patent Related Decisions

Generally, ITC determinations on non-patent issues have been given preclusive effect in district court.

i. Baltimore Luggage v. Samsonite

The U.S. District Court for the District of Maryland recently addressed the issue of whether ITC determinations of trademark and unfair competition issues are to be given preclusive effect.¹⁵¹ The accused infringer had first initiated a district court declaratory judgment action. Subsequently, the trademark owner filed an action against it and others in the ITC. The ALJ, ruling first, held *inter alia* that the trademark owner had no trademark rights in the asserted products, and ruled against the accused infringer on certain affirmative defenses including unclean hands and antitrust violations.¹⁵² On appeal, the Federal Circuit affirmed the ITC determination of no violation of Section 337, on the sole grounds that no tendency to injure an industry had been shown.¹⁵³

¹⁵⁰ *Id.* (“To proceed thereafter to manufacture and sell the same fibers without changes designed to avoid infringement can only be construed as outright defiance or baseless optimism”).

¹⁵¹ *The Baltimore Luggage Co. v. Samsonite Corp.*, 727 F.Supp. 202, 13 USPQ2d 1450 (D. Md. 1989).

¹⁵² *In the Matter of Certain Hard-sided Molded Luggage Cases*, Inv. No. 337-TA-262 (Jan. 29, 1987). The Commission declined review.

¹⁵³ The Federal Circuit, affirming on the basis of no domestic injury, vacated the portion of the Commission’s decision dealing with unfair competition. *Samsonite Corp. v. USITC*, No. 88-1249, 862 F.2d 321 (Fed. Cir. Oct. 13, 1988) (unpublished). However, the portions of the Commission’s decision held by the *Baltimore Luggage* court to have preclusive effect had not been appealed, and therefore were considered by the district court not to have been included in the order to vacate. 727 F.Supp. at 207-09, 13 USPQ2d at 1454-56.

On motion for summary judgment in the district court, the trademark owner raised defenses against counts of antitrust and unfair competition based on *res judicata*, relying on the ALJ's decision denying the accused infringer's affirmative defenses.¹⁵⁴ The court held that the accused infringer could not relitigate these issues if it had a full and fair opportunity to litigate them in the ITC.¹⁵⁵

In a departure from the reasoning of other courts, this court gave no weight to the choice-of-forum argument, stating, "Even though Baltimore Luggage did not initiate the ITC proceeding . . . it had the opportunity to litigate fully its antitrust and unfair competition claims before the ITC."¹⁵⁶

The courts thus approach ITC determinations as worthy of *res judicata* effect, and feel constrained only by the jurisdictional question.

D. The Res Judicata Solution: Is The ITC "Full And Fair"?

The criterion of a "full and fair opportunity to litigate" requires closer examination of Section 337 proceedings because the "full and fair" requirement is the one most connected to the overall problem of litigation in a separate *type* of forum.

¹⁵⁴ Counsel for the ITC argued at hearing as *amicus curiae*, in support of the position that the ITC determinations should not be *res judicata*.

¹⁵⁵ The accused infringer argued that it had made a strategic decision to litigate these issues in the court rather than in the ITC. The court held that this made no difference, as long as the parties had the *opportunity* to adjudicate the issue in the ITC. 727 F.Supp. at 205, 13 USPQ2d at 1452.

¹⁵⁶ *Id.* at 207, 13 USPQ2d at 1454.

The Supreme Court in *Blonder-Tongue*¹⁵⁷ gave no precise criteria as to when the full and fair opportunity requirement is met. The Court stated that the decision “will necessarily rest on the trial court’s sense of justice and equality”.¹⁵⁸ The factors held important by the Court include: choice of forum and incentive to litigate; whether the first determination purported to employ the proper statutory standards; whether the opinions filed indicate that the prior court wholly failed to grasp the technical subject matter and issues in suit; and whether without fault of his own the patentee was deprived of crucial evidence or witnesses in the first litigation.¹⁵⁹

Some factors, such as whether the prior court failed to grasp the technical subject matter or failed to employ the proper statutory standards, are the kinds of factors that may be present or not present on a case-by-case basis in the courts as well as in the ITC. They thus would not stand in the way of giving preclusive effect to ITC determinations as a matter of policy.

On the other hand, some issues involving “full and fair” opportunity are inseparable from the structure and procedure of the ITC. It is clear that in every case in the ITC a respondent does not have a choice of forum, as it cannot bring a declaratory judgment action of non-violation of Section 337. In addition, the respondent cannot bring counterclaims,¹⁶⁰ but can only assert affirmative defenses.

¹⁵⁷ 402 U.S. 313, 169 USPQ 513 (1971).

¹⁵⁸ *Id.* at 334, 169 USPQ at 521.

¹⁵⁹ 402 U.S. at 333, 169 USPQ at 521.

¹⁶⁰ This situation is analogous to the situation in state courts, where patent issues may be considered as affirmative defenses, yet patent counterclaims (such as infringement) must be brought in federal district court.

The time limitations of the ITC may preclude full and fair opportunity to litigate. In *Aunyx Corp. v. Canon, U.S.A., Inc.*,¹⁶¹ the defendant moved for summary judgment that a prior decision of the ITC involving the same issues and parties¹⁶² precluded litigation of the issues. The court held that the ITC determination precluded litigation of state antitrust and unfair competition claims.¹⁶³ However, the court refused to apply preclusive effect to the ITC's exclusion of claims of horizontal conspiracy. The ALJ had refused entry of the allegations because introduction of the claim "would wreak substantial changes in the scope and direction of this investigation. The amendment would impose an impossible burden upon the parties to complete their discovery and prepare for hearing."¹⁶⁴ In refusing to give preclusive effect, the court stated:

This clearly is a case where Aunyx was unable to "fully litigate" a related claim due to the administrative procedure's inability to accommodate an allegation that probably would have been entertained in this forum.

E. Constitutional Impediments To Res Judicata

The debate over the *res judicata* effect of ITC determinations has been livened by Constitutional considerations, such as due

¹⁶¹ Civil Appeal No. 86-2083-Mc (D. Mass. June 6, 1989) (reported at 1989 U.S. Dist. Lexis 7260, 1989 WestLaw 73296).

¹⁶² An argument that one of the plaintiffs was not before the ITC was rejected by the court as a basis for denying preclusive effect.

¹⁶³ The decision was based on the reasoning that "state antitrust and unfair competition claims are interpreted substantially as same as the federal antitrust law considered before the ITC".

¹⁶⁴ 1989 U.S. Dist. Lexis 7260, *7, 1989 WestLaw 73296, 6 (quoting USITC Inv. No. 337-TA-2253, Order No. 20 (Order Denying Joint Motion to Amend Complaint and Notice of Investigation)).

process rights and the right to trial by jury. The Supreme Court, in *United States v. Utah Constr. & Mining Co.*,¹⁶⁵ squarely addressed the issue of whether and when an administrative agency's determination could be given *res judicata* effect. The Court held that findings of federal agencies are entitled to preclusive effect when those agencies are acting in a judicial capacity.¹⁶⁶ Clearly, the ITC is acting in a judicial capacity when it renders its determinations under Section 337, and therefore would come under *Utah Constr. Co.*

Section 337 proceedings are conducted in accordance with the Administrative Procedures Act, and therefore ITC litigants enjoy all the procedural safeguards attendant to that Act. *Ex parte* contacts with ITC Administrative Law Judges and Commissioners are strictly prohibited, and the rules of evidence, while somewhat more permissive than federal courts in some respects, generally conform to the Federal Rules of Evidence. In view of those safeguards, it appears that litigants receive their full due process rights in ITC proceedings.

While the Seventh Amendment right to trial by jury may appear to pose a more formidable obstacle to giving preclusive effect, it does not appear to be insurmountable in all cases. The Seventh Amendment to the Constitution provides that in "[s]uits at common law, where the value in controversy shall exceed twenty dollars, the right to trial by jury shall be preserved."¹⁶⁷ The jury right attaches where the relief sought is legal, but not where the remedy sought is equitable. As the relief available at the ITC is injunctive, and therefore equitable in nature, no jury right would normally attach. Thus the question arises: Would the extension of *res judicata* to ITC determinations deprive district court litigants of a jury trial on an issue where they would otherwise be entitled to it?

¹⁶⁵ 384 U.S. 394 (1966).

¹⁶⁶ *Id.* at 422.

¹⁶⁷ U.S. Const. amend. VII.

In trademark cases, district courts have given preclusive effect to ITC determinations of invalidity without apparently running afoul of Seventh Amendment rights.

Only this year, the U.S. District Court for the District of Delaware¹⁶⁸ had occasion to consider when the right to jury trial attaches in copyright cases. The court held that, in a copyright infringement action, a defendant has no right to a jury trial where the copyright owner only seeks an injunction and statutory damages.¹⁶⁹ While conceding that the Third Circuit had not addressed the issue, and that the Delaware district courts were divided, the court applied the Supreme Court's decision in *Curtis v. Loether*,¹⁷⁰ which held that a jury trial attaches in civil cases if the action ". . . involves rights and remedies of the sort typically enforced in an action at law."¹⁷¹ The court reasoned that a copyright action seeking statutory damages is remedial or restitutionary in nature, both remedies traditionally reserved to equity, and therefore held that defendants had no Seventh Amendment right to a jury trial on that issue.¹⁷²

The Federal Circuit, in *SRI International v. Matsushita Electric Corp.*, forcefully stated that "patent litigants are entitled to neither a greater nor lesser but to the same right to a jury trial,

¹⁶⁸ *Raydiola Music v. Revelation Rob, Inc.*, 729 F.Supp. 369, 14 USPQ2d 1150 (D. Del. 1990).

¹⁶⁹ *Id.* at 373-76.

¹⁷⁰ 415 U.S. 189 (1974).

¹⁷¹ *Id.* at 195.

¹⁷² 729 F.Supp. at 375.

under the same governing considerations, as are all other litigants.”¹⁷³

Thus it appears that the Seventh Amendment right to a jury trial should not stand in the way of according *res judicata* effect to ITC decisions in district courts, particularly where injunctive relief or statutory damages are solely at issue.

F. Should ITC Patent Decisions Be Res Judicata In The Courts?

Section 337 had its genesis in trade law, and not the body of law governing intellectual property rights. Some courts have seized on this distinction as a basis for denying *res judicata* effect to ITC determinations, noting that “[t]he question the ITC examines under Section 337 and the question the district court examines under Section 1338 are thus quite different in both form and substance.”¹⁷⁴

On the other hand, in recent years there has been a confluence of intellectual property and trade law issues. A review of the trade statutes now in force reveals a body of law replete with intellectual property provisions.¹⁷⁵ Intellectual property issues are also on the forefront of the current Administration’s trade agenda. As such policy makers are not unaccustomed to dealing in issues relating to intellectual property. It seems, therefore, that whatever significance may be attached to the separate origins of Section 337 is fast disappearing.

¹⁷³ 775 F.2d 1107, 1127, 227 USPQ 577, 590 (1985) (Markey, C.J., additional views).

¹⁷⁴ *In re Convertible Rowing*, 721 F.Supp. at 601.

¹⁷⁵ See, e.g., 19 U.S.C. § 2462(b) and (c) (eligibility for benefits under the United States Generalized System of Preferences); 19 U.S.C. § 2242 (special Section 301 provisions).

Further, even conceding that Section 337 arose out of the trade statutes, there is little question that the ITC applies the same substantive body of intellectual property law as the district courts, in assessing the validity, enforceability and infringement of the property rights at issue. Moreover, the same court that reviews district court decisions in patent cases, the Federal Circuit, also reviews ITC determinations and applies the same substantive law in assessing the correctness of those decisions, so that there is at least a potential for consistency.¹⁷⁶ In reality, there is but one patent law, and that governs district court and ITC proceedings alike. Therefore, the questions considered by the ITC are really not so different in "form and substance" as the recent district court decisions would seem to suggest.

V. APPELLATE REVIEW CONSIDERATIONS

A third sphere in which dual path litigation is challenging the legal system is in the uncertain role of the appeals courts in reviewing related cases coming from the ITC and the courts. Appeals from both the ITC and from the district courts in patent cases go to the United States Court of Appeals for the Federal Circuit. Because the standards of review differ for decisions of the two tribunals, and because the role of an appeals court is to review for error and not for correctness, the Federal Circuit is not bound to decide cases from the ITC and the district courts involving the same issues and the same parties in the same way.

On the other hand, appeals from cases involving non-patent issues such as trademarks or copyrights go to different circuits (ITC to the Federal Circuit, district courts to the regional circuits). Yet these are accorded preclusive effect one to the other.

This appellate disparity has created considerable confusion.

¹⁷⁶ See *infra*, Section V.

A. *Divergent Standards of Review On Appeal*

Appellate jurisdiction, like exclusive original jurisdiction, varies with the intellectual property right. Jurisdiction for appeals from district court decisions in patent cases since 1982 lies exclusively with the United States Court of Appeals for the Federal Circuit.¹⁷⁷ The purpose of establishing this exclusivity was *inter alia*, to produce uniformity in the area of patent law.¹⁷⁸ Appellate jurisdiction over trademark and copyright cases remains with the regional circuits.

Exclusive jurisdiction for appeals from final determinations of the ITC lies with the Federal Circuit.¹⁷⁹

The standard of review for cases coming from a district court is the "clearly erroneous" standard for questions of fact.¹⁸⁰ The standard of review for findings of fact from the ITC is the "substantial evidence" standard of review.¹⁸¹ The former stan-

¹⁷⁷ Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat.25, codified at 28 U.S.C. § 1295. In *South Corp. v. United States*, 690 F.2d 1368, 1370-71, 215 USPQ 657, 658 (Fed. Cir. 1982), the Court of Appeals for the Federal Circuit adopted the precedents of its two predecessor courts: the Court of Claims and the Court of Customs and Patent Appeals.

¹⁷⁸ See *Panduit Corp. v. All States Plastic Mfg. Co., Inc.*, 744 F.2d 1564 (Fed. Cir. 1984).

¹⁷⁹ 28 U.S.C. § 1295(a)(6) (1983 & Supp. 1989); 19 C.F.R. § 210.71 (1988).

¹⁸⁰ *Tyler Refrigeration v. Kysor Indus. Corp.*, 777 F.2d 687, 691, 227 USPQ 845, 848 (Fed. Cir. 1985).

¹⁸¹ 19 U.S.C. § 1337(c) (invoking 5 U.S.C., Chapter 7; see 5 U.S.C. § 706(2)(E)); *American Hospital Supply Corp. v. Travenol Labs., Inc.*, 745 F.2d 1, 9, 223 USPQ 577, 583 (Fed. Cir. 1984).

dard is a strict standard, and the latter is a lenient one, giving deference to the findings of the administrative agency in its determinations of unfair import practices.

These two differing standards alone could result in differing results on appeal from the same case. Even in a single tribunal, differing standards of review can result in different outcomes on appeal. Under these circumstances, uniformity would be haphazard if not downright accidental.

One of the major problems with this uncertainty on appeal is the difficult position of the courts below in trying to decide the extent to which they are bound by a given decision of the Federal Circuit, and to what extent the Federal Circuit will follow its own previous decision on the merits when the second case is appealed.¹⁹² Thus, the lower court may be confronted with a prior precedential court of appeals decision involving the very same facts and parties as those before it, that is not binding either on itself or on the court of appeals on review.

B. Stare Decisis On Appeal

A second result of this appellate diversity is that ITC determinations concerning patent rights, while not binding on district courts, will collide with district court opinions which are appealable to the same court (the Federal Circuit), while ITC determinations based on trademark, copyright or unfair competition, which *are* binding on district courts, will collide with district court decisions which are appealable to a *different* court (the regional circuits). Thus, we have the strange and anomalous situation that Federal Circuit decisions on ITC non-patent cases are binding on its sister circuit, while Federal Circuit decisions on ITC patent cases are not binding even on itself.

¹⁹² See *In re Convertible Rowing*, 721 F.Supp. at 599, 12 USPQ2d at 1277-78.

Because of its unique jurisdictional position, the Federal Circuit has at least once found itself confronted with conflicting prior decisions from a regional circuit and from its predecessor court, the CCPA.

1. Stevenson And The Kicktail Skateboard

In 1983, the Federal Circuit was faced with the situation of confronting its own precedent in conflict with the lower court decision before it. The history of this litigation is set out below:

1. 1975: Stevenson, the owner of a patent for an improved "kicktail" skateboard, filed a complaint in district court¹⁸³ for patent infringement (Suit I).¹⁸⁴
2. November 4, 1977: While the district court action was still pending, Stevenson filed a complaint in the ITC, against parties other than those named in the original district court suit.
3. November 13, 1978: The ITC issued a final determination that the patent was invalid.¹⁸⁵
4. November 30, 1979: The district court in Suit I granted defendant's motion for summary judgment of patent invalidity.

¹⁸³ *Stevenson v. Grentec*, in the U.S. District Court for the Central District of California.

¹⁸⁴ This helpful notation is adopted from the Federal Circuit's opinion in *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983).

¹⁸⁵ In the Matter of Certain Skateboards and Platforms Therefor, Inv. No. 337-TA-37 (Nov. 13, 1978).

5. December 20, 1979: The CCPA reversed the ITC determination of invalidity and remanded, holding that the respondents “failed to carry their burden of persuasion in asserting the invalidity of the subject claims of the Stevenson patent”.¹⁸⁶
6. Shortly after the decision of the CCPA, in a second infringement suit (Suit II), the district judge held that Stevenson was collaterally estopped from relitigating the validity of the patent.¹⁸⁷
7. October, 1980: The ITC issued a determination that Section 337 had been violated, and granted an exclusion order.
8. July 27, 1981: The Ninth Circuit¹⁸⁸ affirmed the district court’s decision of invalidity in Suit I, in spite of the intervening CCPA decision: “To be sure, the decisions of the Court of Customs and Patent Appeals should be given great weight and treated with respect; they are not, however, binding on this court.”

¹⁸⁶ *Stevenson v. USITC*, 612 F.2d 546, 555, 204 USPQ 276, 284 (CCPA 1979).

¹⁸⁷ *Stevenson v. Gottschlich*, No. 77-2974 (C.D. Cal. April 25, 1980), *cited in* *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 707, 218 USPQ 969, 971 (Fed. Cir. 1983).

¹⁸⁸ *Stevenson v. Grentec, Inc.*, 652 F.2d 20, 22-23, 211 USPQ 1020, 1022 (9th Cir.), *cert. denied*, 456 U.S. 943 (1982). The appeal was to the Ninth Circuit because it was filed before October 1, 1982, the date exclusive jurisdiction over patent appeals was transferred to the Federal Circuit by the Federal Courts Improvement Act of 1982.

9. Stevenson filed a third infringement suit (Suit III) in district court.
10. January 14, 1983: The district court in Suit III held that Stevenson was collaterally estopped by the result of Suit I from asserting the validity of his patent.¹⁸⁹
11. Stevenson appealed the Suit III judgment to the Federal Circuit,¹⁹⁰ arguing *inter alia* that the prior decision of the CCPA upholding the patent was binding on the Federal Circuit.¹⁹¹

The Federal Circuit was thus faced with (1) a prior precedential CCPA opinion reviewing an ITC determination and holding that the patent was not proved invalid, (2) a non-precedential Ninth Circuit appeal affirming a district court judgment of invalidity, and (3) a district court judgment before it for review holding with the non-precedential Ninth Circuit opinion and in apparent conflict with the precedential CCPA opinion.

The Federal Circuit affirmed the district court's holding that the prior district court judgment collaterally estopped relitigation of the patent in Suit III, in spite of the contrary CCPA opinion.¹⁹² The court, applying the *Blonder-Tongue* test,¹⁹³

¹⁸⁹ Stevenson v. Sears, Roebuck & Co., No. 77-4518 (C.D. Cal. Jan. 14, 1983).

¹⁹⁰ This appeal was brought after October 1, 1982.

¹⁹¹ The Federal Circuit has adopted CCPA opinions as binding precedent. See *supra*, n.177.

¹⁹² Stevenson v. Sears Roebuck & Co., 713 F.2d 705, 218 USPQ 969 (Fed. Cir. 1983).

¹⁹³ See *supra*, Section IV.A.

concluded that the patentee is precluded from relitigating even “when there are two seemingly inconsistent prior determinations: one holding the patent ‘valid,’ the other invalid”,¹⁹⁴ as long as the patentee had a full and fair opportunity to litigate the patent in the action that resulted in a judgment of invalidity. The court added that the prior holding of “validity”

is not necessarily inconsistent with the subsequent holding of invalidity. In one action, the defendants did not overcome the statutory presumption of validity; in the other they did. The difference in result could be attributable to many neutral facts: e.g., different prior art references or different records. It cannot always be said that of two “inconsistent” determinations, one is correct and one is incorrect. Thus, we do not believe that the existence of a seemingly inconsistent prior holding on “validity” should change the inquiry from a full and fair opportunity to litigate to one of correctness; rather, it should serve only as a “red flag warning” to the court to apply the full and fair criteria more carefully.¹⁹⁵

After having determined that Suit I constituted a full and fair opportunity to litigate, the court held Stevenson estopped from relitigating the patent.¹⁹⁶

In addressing the question of *stare decisis*, i.e. to what extent the Court was itself bound by the previous precedential decision of the CCPA, the Court stated only that its function under *Blonder-Tongue* is not to decide the validity or invalidity of the

¹⁹⁴ 713 F.2d at 709, 218 USPQ at 973 (footnote omitted).

¹⁹⁵ 713 F.2d at 710, 218 USPQ at 973-74.

¹⁹⁶ *Id.* at 712, 218 USPQ at 975.

patent, but to decide whether or not the patentee is estopped from relitigating the patent.¹⁹⁷ The Court apparently did not distinguish between prior opinions which were precedential and those which were not.¹⁹⁸

The Court further emphasized that a patent cannot be held "valid" in court. A court can only hold that the patent challenger had not met its burden in overcoming the presumption of validity.¹⁹⁹ Thus the Court did not consider itself bound by its own prior decisions upholding validity.²⁰⁰ While the prior decision of the CCPA is "not to be ignored", its effect is "limited":

As we have indicated, the decision serves only as a "red flag warning" to the district court to apply full and fair

¹⁹⁷ *Id.* at 711, 218 USPQ at 974 ("Thus, our scope of review is limited to deciding whether the patentee had a full and fair opportunity to litigate the validity of his patent in the prior unsuccessful suit.")

¹⁹⁸ The Court also determined that Sears was not estopped by the CCPA's holding of "validity" because Sears was not a party or in privity to a party in that proceeding. *Id.* at 710-11, 218 USPQ at 974. However, the Court indicated that a different result might obtain had Sears itself been a party to the ITC action. *Id.* ("In that situation the court might refuse to undo what has been done and thus refuse to set aside its prior determination of validity as against Sears.")

¹⁹⁹ *Id.*

²⁰⁰ *Id.* ("To be sure, a prior holding of 'validity' should be given weight in a subsequent suit on the issue of 'validity'. But the prior holding does not necessarily have stare decisis effect"). However, the Court stated that where the record in the second suit is substantially identical to that of the first, i.e. no new prior art or other evidence, then it is "extremely likely" that the prior decision will be given stare decisis effect. *Id.* at n.5.

criteria very carefully; it does not change the inquiry to one of correctness.²⁰¹

The Federal Circuit is also placed in the anomalous position of not being bound by its *own* prior decisions, even where the subsequent case involves the exact same facts, parties and issues. This is illustrated by dicta in the following Federal Circuit case:

2. *Tandon v. USITC*

In affirming an ITC determination of no violation of Section 337 based on a finding of noninfringement, the Federal Circuit left the door open to further litigation of the infringement issue in the district court.²⁰² After commenting on the “greater weight and finality” that is to be accorded ITC decisions under the proper standard of review,²⁰³ the Court cited the 1974 legislative history of Section 337 as making it clear “that the Commission’s primary responsibility is to administer the trade laws, not the patent laws”. The Court concluded that “our appellate treatment of decisions of the Commission does not estop fresh consideration by other tribunals.”²⁰⁴ Presumably the Court was referring to subsequent actions in district courts, and presumably it was stating that a district court would not be bound by the Federal Circuit’s decision concerning the disposition of the patent in the ITC. Thus, by implication, the Court seemed to be stating that, given the differing standards of review for ITC and district court actions, the Federal Circuit

²⁰¹ *Id.* at 711, 218 USPQ at 975.

²⁰² *Tandon Corp. v. USITC*, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1285 (Fed. Cir. 1987).

²⁰³ *See supra*, Section V.A.

²⁰⁴ 831 F.2d at 1019, 4 USPQ2d at 1285.

itself would not be bound by its own prior decision. Thus it could conceivably come to a different decision on review of a district court judgment concerning the same patent and infringing product.²⁰⁵

Tandon has been seen by the district courts as so stating.²⁰⁶ In discussing whether or not it is bound to follow the earlier decision of the Federal Circuit affirming the ITC, the court in *In re Convertible Rowing Exerciser Patent Litigation*²⁰⁷ stated:

²⁰⁵ In a later case, *Texas Instruments, Inc. v. USITC*, 851 F.2d 342, 344, 7 USPQ2d 1509, 1510 (Fed. Cir. 1988), the Federal Circuit reiterated the rule in *Tandon*: "[T]his court has stated that the ITC's determinations regarding patent issues should be given no res judicata or collateral estoppel effect. . . ." The issue was not dispositive in *Texas Instruments*, however, but only formed part of the Court's rationale for vacating an ITC determination that it had already ruled moot.

²⁰⁶ The holding in *Tandon* has also been interpreted as being more limited than this. See *Telectronics*, 687 F.Supp. at 846 n.44, 7 USPQ2d at 1788 n.44.

Tandon dealt with a decision of noninfringement based on technological considerations. Moreover, the *Tandon* Court noted that "[i]t was the intent of Congress that greater weight and finality be accorded to the Commission's findings as compared with those of a trial court." [*Tandon*] at 1019. Hence it hardly seems that the Federal Circuit intended to imply that ITC decisions could never be accorded res judicata effect.

²⁰⁷ *In re Convertible Rowing*, 721 F.Supp. at 597, 12 USPQ2d at 1276 (D. Del. 1989).

Ordinarily this Court is bound by decisions of the Federal Circuit because it is the court to which appeals on patent issues from the district courts are taken. However, the Federal Circuit has specifically stated that its appellate treatment of ITC determinations as to patent validity does

not estop other tribunals from considering anew the question of patent validity. [citations omitted]²⁰⁸

C. *Dual Path Litigation and the Appeals Process*

While it is true that the technicalities of the law are such that different results could be properly reached on separate appeals, the simple reality should be that either a patent is legally valid or it is not. Conflicting results in the appeals courts result in unfairness and uncertainty to parties, and confusion to non-parties who are trying to determine what rights they have and do not have. Appeals decisions should be consistent.²⁰⁹

If ITC and district court decisions are each to be given *res judicata* effect, at the very least the standards of review should be the same and there should be *stare decisis* effect at the appeals level. It makes no sense to have consistent trial-level decisions, if the standards on appeal will not also be consistent.

²⁰⁸ *Id.*

²⁰⁹ From a technical standpoint, the existence of different results on appeal is not an improper result. The task of an appeals court is to determine error in the court below, not to decide a case "properly". The very nature of a "question of fact" is that different reasonable triers of fact could come to different and contradictory conclusions. Both results may be without reversible error and properly affirmable on appeal. That an appeals court can come to two different results based on the same facts simply reaffirms the limited task of an appeals court — to review the trier of fact for error.

The need for consistency on appeal is satisfied not by uniform decisions but by uniform standards of review. Different standards of review may result in different decisions on the same facts. The *same* standard of review may also result in different decisions where the range of reasonable and affirmable decisions is broad, as with issues such as obviousness or the doctrine of equivalents. Few are the fact pattern for which there is no reasonable difference of opinion on these perplexing issues.

VI. CONCLUSION

Perhaps at no time since the enactment of Section 337 has more attention been focused on whether ITC Section 337 determinations should, or do, carry with them preclusive effect. This can be explained in part by the recent finding of the GATT that Section 337 is inconsistent with the United States' international obligations, and the stated intention of the Administration to bring Section 337 into compliance. An act of Congress stating clearly that the ITC has concurrent jurisdiction over patent issues would go a long way to satisfying GATT. The problems of such concurrent jurisdiction, such as counterclaims and jury trial, will have to be worked out in the context of U.S. jurisprudence.

Whatever changes are made, they should be consistent with the existing scheme of U.S. jurisprudence. If they are made in a haphazard and reactive way, the result will be more, not less, confusion.